2014
ANNUAL REPORT
CITY OF EDMONTON, ALBERTA, CANADA
For the year ended December 31, 2014
Edmonton

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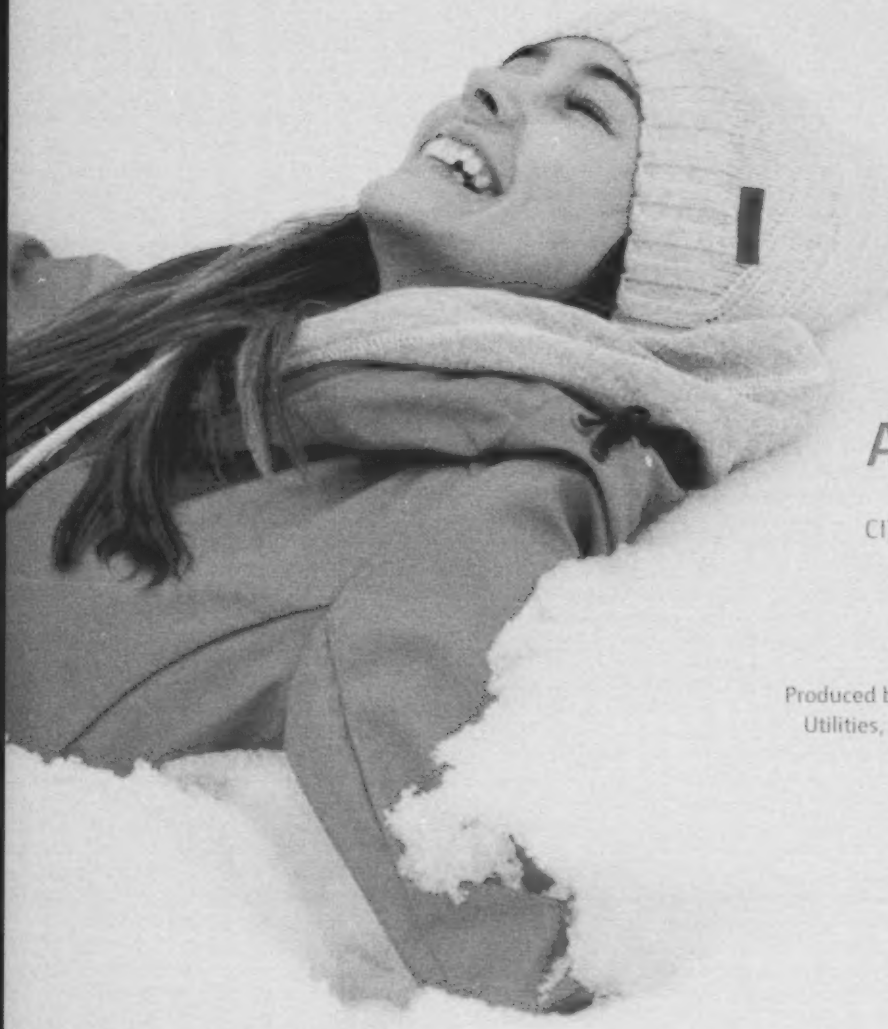


2014
ANNUAL REPORT

CITY OF EDMONTON, ALBERTA, CANADA
For the year ended December 31, 2014

Produced by the City of Edmonton, Financial Services and Utilities, with support from Corporate Communications, civic departments, offices and agencies.

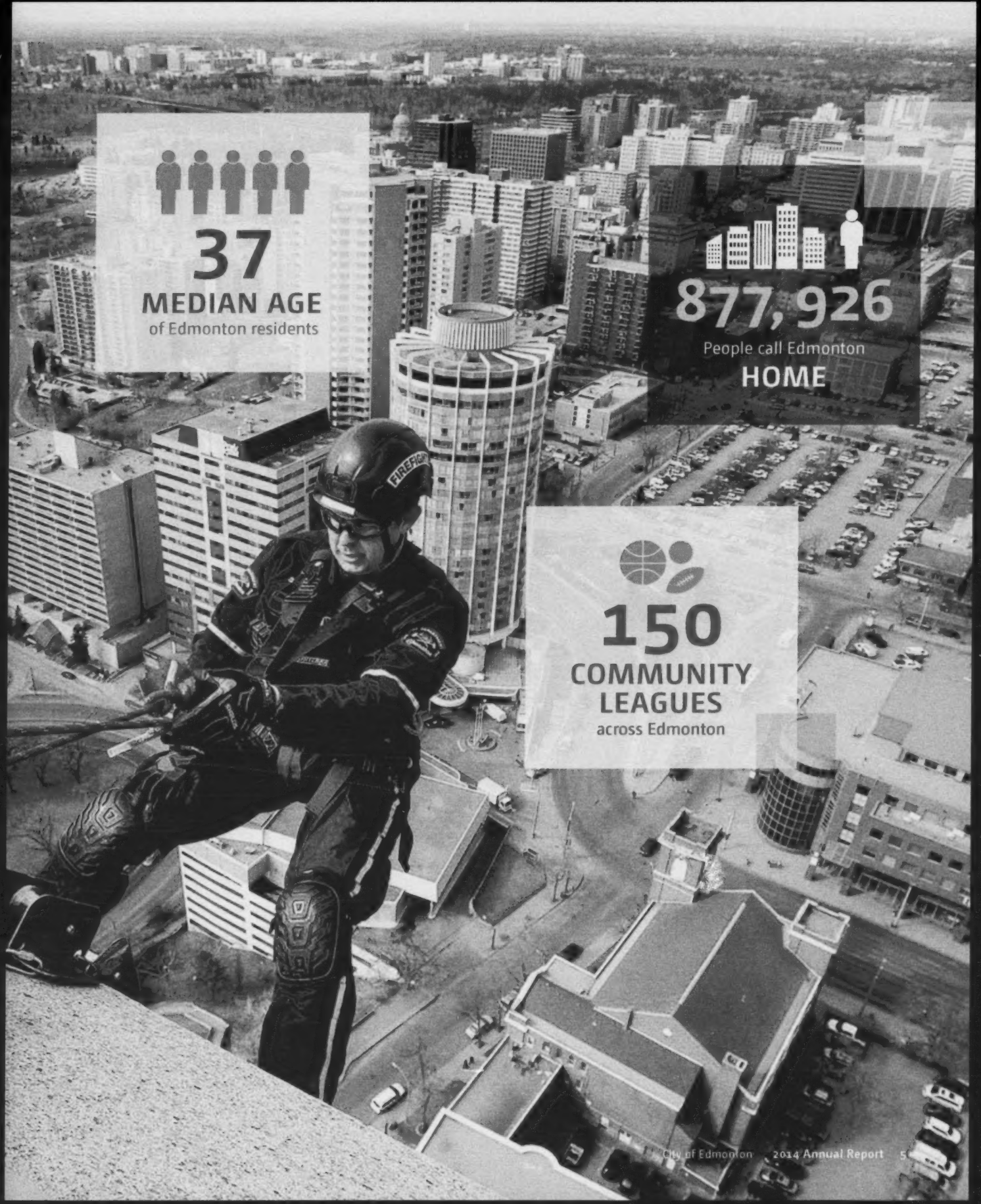
EDMONTON... THE FUTURE IS HERE

Over the last decade, Edmonton has grown faster than almost any other Canadian city. At the heart of Alberta's economic engine—a city fuelled by change.

Home to the country's youngest workforce, we understand the value new and different perspectives bring to Edmonton.

Today, the core of Edmonton itself, our downtown, is being transformed to better connect people and build an even stronger sense of community.

Creating successful futures is what Edmonton is all about.


37
MEDIAN AGE
of Edmonton residents
877,926
People call Edmonton
HOME
150
COMMUNITY
LEAGUES
across Edmonton

MESSAGE FROM CITY COUNCIL

It's an exciting time to be living in Edmonton. We're building a great city.

We understand the power of working together. Edmonton has always been a city made up of an ever-growing, ever-shifting landscape of cultures, backgrounds and lifestyles. It is this coming together of unique viewpoints and interests, of ideas and solutions, that drives our City. It is the energy behind the successful business ventures that make Edmonton a centre of wealth, job opportunities and sustainability.

The many construction cranes and building sites throughout our city really speak of our confidence in Edmonton today and well into the future. Projects like Rogers Place arena, Blatchford, the neighbourhood renewal program and the Quarters are transforming the physical landscape of our city. All these changes clearly position Edmonton on the world stage and promote a vision of our city where everyone can step up and take part in our growth and prosperity.

Expansion of our LRT system continues as we build connections with our post secondary institutions and communities throughout the city.

Edmonton continues to be one of the fastest-growing cities in Canada with a population growth more than double the national average. In the past two years we have grown by more than 60,000 people.

We are a city with a rock solid reputation for welcoming newcomers and families seeking an exceptional quality of life. With 375 different neighbourhoods located across the city, families are sure to find the right community to meet their needs.

Building a great city demands financial stewardship and leadership. While this sometimes requires tough fiscal decisions to be made on behalf of the people we serve, the goal is that it always occurs in an environment of transparency and openness.

Back Row
(left to right):

Mike Nickel - Ward 11
Dave Loken - Ward 3
Andrew Knack - Ward 1
Mayor Don Iveson
Michael Oshry - Ward 5
Michael Walters - Ward 10
Scott McKeen - Ward 6

Front Row
(left to right):

Bev Esslinger - Ward 2
Ben Henderson - Ward 8
Ed Gibbons - Ward 4
Bryan Anderson - Ward 9
Tony Caterina - Ward 7
Amarjeet Sohi - Ward 12

CITY COUNCILLOR REPRESENTATION BY WARD

Edmonton comprises 12 municipal wards, as outlined on this map. One councillor represents each ward. The Mayor is elected across all wards.

A LEADER IN WELCOMING THE WORLD

Edmonton is a place that welcomes. By embracing diversity and investing in new business and events, Edmonton is rapidly becoming a new cultural and economic landmark of Canada.

Our population grew by more than 60,000 people over the past two years, to a total of 877,926, a 7.4 per cent increase. Each year 4.4 million people visit our city.

There's an optimism that runs through Edmonton.

Our downtown core is being revitalized to create a sports and entertainment district. At the centre of this will be a new NHL arena to be finished in 2016. Business and residential towers, new shops, hotels, restaurants and schools are all part of the transformation.

Edmonton now hosts more international athletic events than any other Canadian city. In 2014 we hosted the World Triathlon Grand Final, the Tour of Alberta (Canada's largest professional cycling event), and the FIFA U-20 Women's World Cup.

Edmonton is one of the top cities in North America to live and do business. In 2014, the Conference Board of Canada identified the Edmonton region as Canada's major economic engine and our city is at the centre of that activity.

Edmonton is one of Canada's most diverse economies. It has one of the highest concentrations of entrepreneurs in North America and over 95 per cent of businesses are privately held corporations.

As Canada's largest most northern city, we believe in our potential. People recognize that together, we are making great things happen.

5

Canada's fifth-largest

MUNICIPALITY

2

Alberta's second-largest

CITY

POPULATION:

- City: 877, 926*
- Metro: 1, 243, 000**

LAND AREA:**

- City: 700 km^2
- Metro: 9, 532 km^2

* based on 2014 municipal census

** 2014 estimate, City of Edmonton

ECONOMIC PERFORMANCE

The economic outlook for Edmonton remains positive. With very strong gains in employment, income and population, the city ended 2014 with plenty of momentum to support continued economic growth going into 2015.

Overall Performance

The City of Edmonton and the Edmonton Census Metropolitan Area (Edmonton region) continued to experience solid economic growth during 2014 in spite of the tepid performances of the Canadian and global economies and a marked decline in oil prices late in the year.

While the Canadian economy entered 2014 with some strength, it was clear by mid-year that economic activity was slowing. Continued sluggish growth in exports and business investment resulted in the downgrading of projections for 2014. Nonetheless employment growth improved, particularly in Ontario, and was sufficient to draw the Canadian unemployment rate down from 7.1 per cent in 2013 to 6.9 per cent by the end of the year.

In contrast to the lackluster results for Canada, Alberta experienced a very solid employment gain of 2.4 per cent during 2014. Most of these job gains were full-time positions which acted as a boost to incomes and consumer confidence across the province. With energy related exports growing at double digit rates, continuing investment in the energy sector combined with strong residential and non-residential construction and booming retail sales, Alberta retained its position as one of the fastest growing jurisdictions in North America.

LABOUR MARKET DEVELOPMENTS – 2014 ANNUAL CHANGE

Source: Statistics Canada

Employment

The employment indicators for the Edmonton region were somewhat less robust than those for the province but above national averages during 2014. Employment expanded by two per cent in 2014 which was well above the national average of 0.7 per cent, but below the provincial average of 2.4 per cent. The number of individuals participating in the region's labour force grew at a remarkable pace as the Edmonton region continued to attract large numbers of new migrants seeking employment. The rapid growth in job seekers, however, resulted in the region's unemployment rate rising from 4.9 per cent in 2013 to 5.2 per cent in 2014. At the same time, this additional slack in the labour market helped to address labour shortages in many sectors such as construction, manufacturing and professional services.

Residential Construction

The residential construction sector in the Edmonton region also had a strong year in 2014 as evidenced by the advances seen in building permits and the relatively high levels of new housing starts.

The value of building permits issued in the Edmonton region stood at $6.4 billion in 2014, a record high over the last decade, reflecting strong construction intentions in both the

residential and non-residential sectors. This value was up by 16.4 per cent from the level recorded in 2013 and compared favourably to a growth rate of eight per cent for Alberta and four per cent nationally. The value of building permits issued in Edmonton in 2014 was $4.6 billion, the highest level in the city's history.

Housing Starts

Edmonton's housing starts were down from the very strong values recorded in 2013. Construction started on over 9,768 new housing units in the city in 2014, a decrease of 8.1 per cent from 2013. The region reported just fewer than 13,900 new housing starts in 2014, representing a decrease of 5.4 per cent year-over-year.

Inflation

Inflation as measured by the Consumer Price Index (CPI), reflects prices that consumers pay on an average basket of goods and services such as groceries, clothing, and housing costs such as rent and mortgage expenses. However CPI does not capture all the inflationary pressures experienced by an organization such as the City since it does not include categories such as construction materials, transportation equipment and professional services necessary to deliver municipal services.

In spite of strong growth in Edmonton and the region, and an increase in inflation over the prior year, inflation still remained relatively low by historical standards. Inflation as measured by the CPI measured 2.2 per cent for the Edmonton region while the comparable figure was 2.6 per cent for Alberta and two per cent for Canada.

Inflation was held in check during 2014 as a result of weak energy prices, lower costs and other selected items. However, as strong in-migration to the region drove down rental vacancy rates, rents moved up more quickly and put upward pressure on the consumer inflation. Lower gasoline prices will act as a brake on inflation in the first half of 2015, holding CPI growth below two per cent.

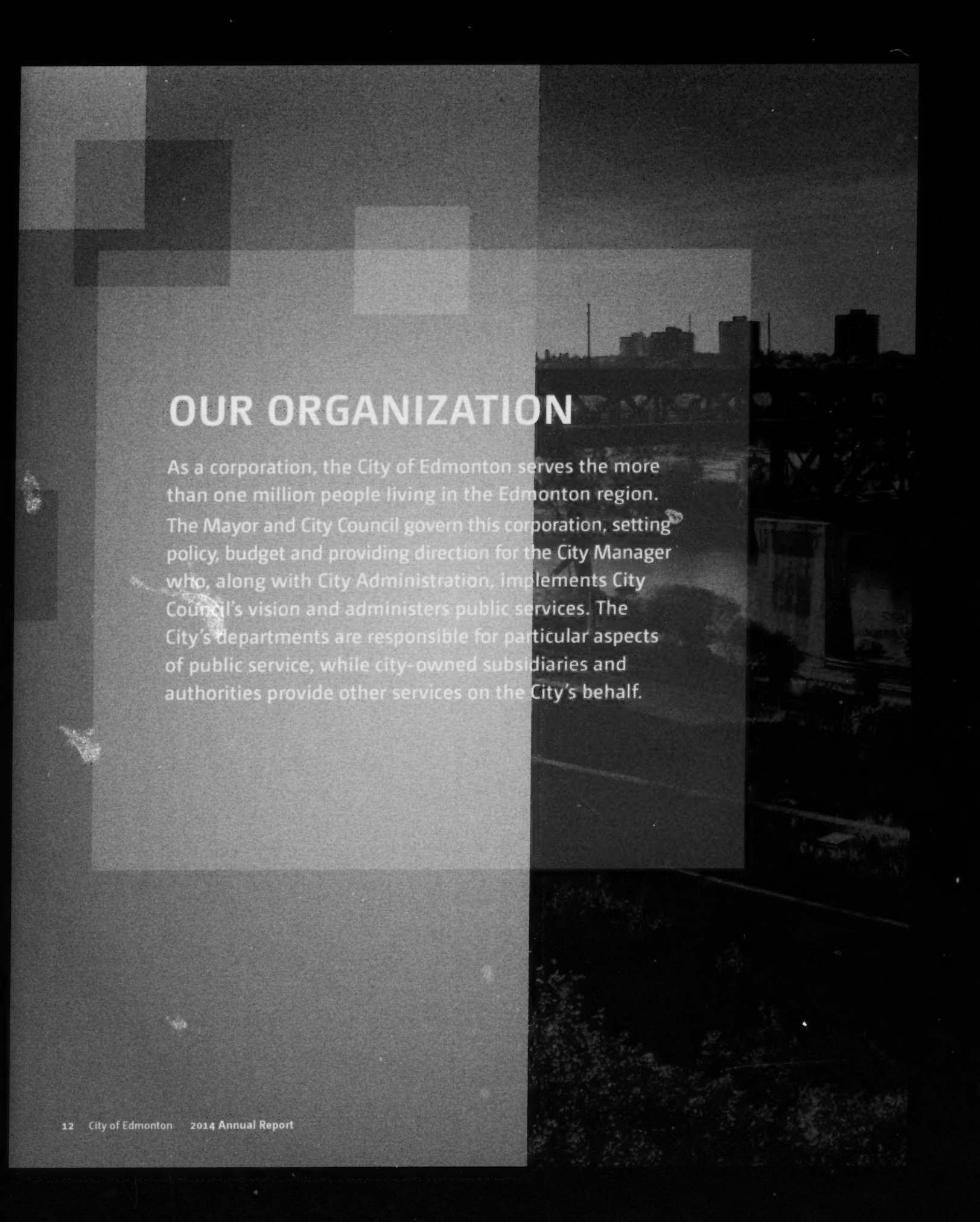
CONSUMER PRICE INDEX
FOR EDMONTON REGION

Source: Statistics Canada

Longer Term Outlook

Excellent population, employment and income growth over the past several years means that the local economy has the depth and momentum to weather a temporary shock to Alberta's energy sector. 2015 will see growth slow in the city and the region as low energy prices limit expansion in areas such as manufacturing, logistics, professional services and public administration. As oil prices recover over the period 2015 to 2018, growth in Edmonton will improve to average 3.1 per cent in inflation adjusted terms over the next decade. This compares very favourably to forecasts for the Canadian economy which average two per cent per year.

Falling oil prices and improved growth prospects for the United States (US) economy put downward pressure on the Canadian dollar during 2014. Over the course of the year the Canadian dollar fell about eight per cent from just above 0.93 US dollars at the beginning of January 2014 to 0.86 US dollars by the end of December 2014. The lower dollar will help to boost Canadian exports and provide some modest protection from the impacts of lower oil prices on Canadian oil producers. The Canadian dollar is expected to weaken further in 2015 and begin to rise against its US counterpart as Canadian interest rates begin to rise in 2016.



OUR ORGANIZATION

As a corporation, the City of Edmonton serves the more than one million people living in the Edmonton region. The Mayor and City Council govern this corporation, setting policy, budget and providing direction for the City Manager who, along with City Administration, implements City Council's vision and administers public services. The City's departments are responsible for particular aspects of public service, while city-owned subsidiaries and authorities provide other services on the City's behalf.

$4.6 B
Value of Edmonton
BUILDING PERMITS
$766.3 M
Market Value of
ED TEL
ENDOWMENT FUND
2014
Library of the year
AWARD

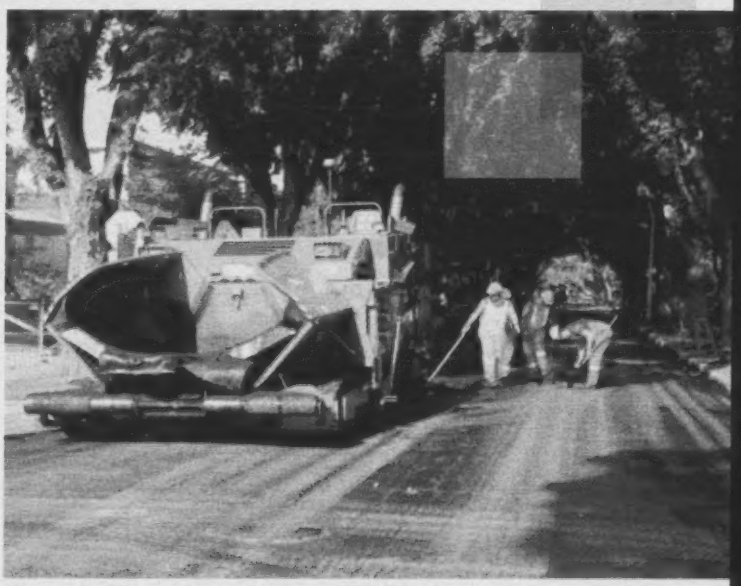
BUILDING FOR TODAY AND TOMORROW

The City delivers services and programs and builds infrastructure to maintain and enhance our standard of living. Strong fiscal management and financial stewardship guide decisions and actions. We have comprehensive plans in place that continually renew and develop our different communities.

Edmonton is committed to continuing the development and renewal of its infrastructure. The 2015-2018 Capital Budget, approved by Council in December 2014, will see $4.3 billion invested into key infrastructure projects. City Council also approved an operating budget of $2.3 billion, after close consideration of the investments required to sustain infrastructure and expand services to Edmonton's rapidly growing population.

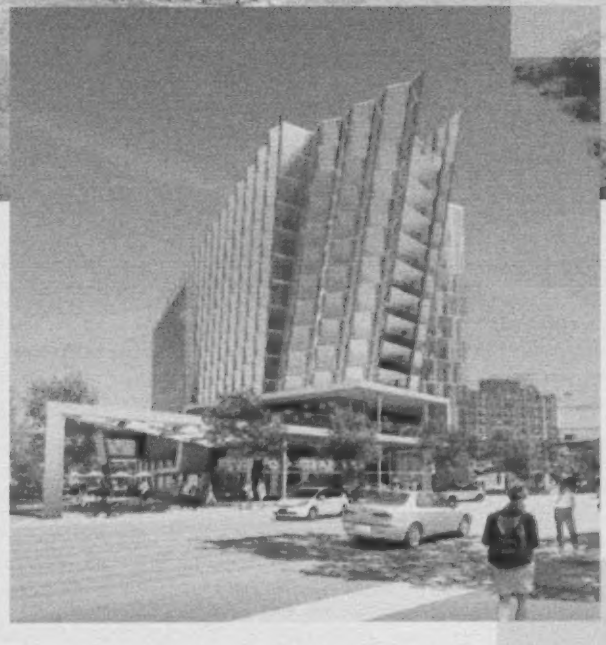
The City continues to invest in road improvements and new projects through the neighbourhood renewal program. In 2014, 178 road projects, with an investment of $295 million were completed, including five mature neighbourhoods that were completely reconstructed. Work is underway to replace the Walterdale Bridge and 102 Avenue Groat Road Bridge. Moving forward, City Council continues their commitment to improving Edmonton's roads. This was demonstrated through their approval of $443.8 million from 2015 to 2018 for capital growth and renewal road projects. A 50-year infrastructure plan was put in place for the Millwoods' flood-prone areas with work scheduled to start in 2015.

In 2014 the City opened the Clareview and Meadows multi-purpose recreation centers and libraries, as well as the Abbottsfield recreation center. Library and recreation services are provided to communities across the city through its 18 library locations and various recreation facilities.



We have taken on a major revitalization of the heart of our city. The Government of Alberta's approval of the Downtown Community Revitalization Levy supports the City in building a $606.5 million mixed-use sports and entertainment district. The City's efforts on Rogers Place arena, The Quarters and the drainage infrastructure required to service new towers downtown has created further opportunities for private and public projects downtown.

In 2014, the City also announced plans to bring the majority of downtown city employees into a new building. The move is scheduled in 2016 and groundbreaking for the building occurred in June 2014.



Innovation and technology lead in how we take on challenges and continually strive to enhance and offer new services in the most cost-effective and efficient manner. In March 2014, the City began to identify strategies for the 2015 budget and beyond, including a focus on finding savings from program changes and continuous improvement equivalent to two per cent of the annual tax levy. As one of the first steps towards finding two per cent efficiencies throughout its operations, costs were reduced by $15 million in the 2015 operating budget. This included more efficient use of existing resources and various other cost saving strategies implemented across all City departments.

A SUSTAINABLE, CONNECTED CITY

Our vision of how Edmonton will grow is clear. It's the reason light rail transit (LRT) is the city's number one priority in becoming a sustainable, connected community.

Plans are underway to expand and link major areas of our city.

Through community advocacy, Edmonton secured federal and provincial funding to expand the phase 1 southeast section of the Valley Line LRT, from Millwoods to 102 street downtown, for a total cost of $1.8 billion. As the project moves forward, three potential proponents have been shortlisted to design, build and operate the public-private partnership. The successful bidder will be selected later in 2015.

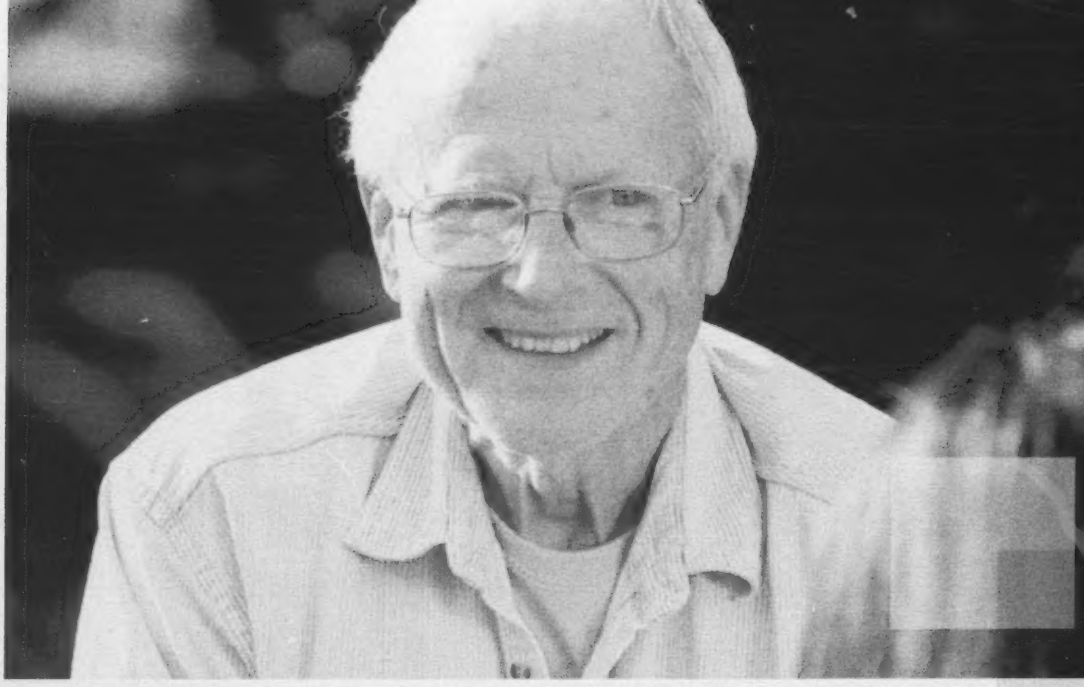
Technology is a critical part of Edmonton's transportation system and is being leveraged to increase customer convenience. In 2014, 17 bus routes and one-third of the Edmonton Transit System (ETS) fleet were Smart Bus enabled. Transit passengers who use these routes and buses can now access scheduled and real-time estimated departure times using the ETS Live® suite of customer information tools.

And in the heart of one of Edmonton's old transportation hubs—the former Municipal Airport—Edmonton is building a vibrant new community with LRT and public transit at its core—a unique fusion of sustainability and transportation.

The Blatchford Development is a 217 hectare (536 acre) neighbourhood that will focus on renewable energy, communal spaces, and environmentally friendly living. When finished, up to 30,000 people will live, work and play in a community that enables a range of sustainable lifestyle choices. With construction well underway, the plan is to have people start living and working in Blatchford as early as 2016 and 2017.

Edmonton's focus on the environment and sustainability started almost 30 years ago when we set out to become a leader in waste management. The city now has North America's largest waste management and research centre. So far 60 per cent of waste has been diverted from landfill and the long-term goal is 90 per cent.

Last year Edmonton opened the first industrial-scale facility that produces biofuels from municipal solid waste. Operated by Enerkem, the plant will convert 100,000 tonnes of municipal waste that would normally go to landfill, into biofuels and chemicals.



AN OPEN, ENGAGED CITY

The City of Edmonton continues to develop multiple programs and initiatives that support its reputation as an Open City.

The City continues to engage and seek input from its citizens in different ways.

In our efforts to be accountable, open and transparent to our citizens, the Citizen Dashboard offers online access on a range of municipal services for anyone interested. Launch of the 311 application in 2014 means people can also now connect to city services faster and more efficiently. Available for the first time online, 28 per cent of Edmonton households participated in the 2014 census online. The same year, Edmonton's Insight Community started. Interested citizens register with Insight and the City regularly engages with them on a variety of topics important to the city's growth and development.

After an eight month conversation with residents on how neighbourhoods and communities can further develop and change to meet people's needs, the City established Edmonton's Infill Roadmap. In 2015 and 2016, activities are planned to support more and better infill in mature and established neighbourhoods, with the focus on new housing, including secondary and garage suites, duplexes, semi-detached and detached houses, row houses, apartments, and other residential and mixed-use buildings.

The various Open City initiatives will have a strong influence as Edmonton works to become a great city.

MESSAGE FROM THE CITY MANAGER

I am pleased to present the City of Edmonton's 2014 Annual Report.

Our Administration continues to focus on strengthening our organizational culture, enhancing our sustainable practices and connecting our communities within our city and with the rest of the world.

2014 saw significant progress on The Ways Ahead. Each of our six strategic goals are interrelated. When we achieve success for one goal, we make progress on the others.

In the last year we have moved forward not only in terms of capital projects like the development of our downtown arena district, but also in the development of our social conscience as a city, looking at issues of poverty and the need for more education and action we identified through hosting the national Aboriginal Truth and Reconciliation Commission.

The City of Edmonton's Meadows and Clareview Recreation Centres were opened to the public in recent months, which means that Edmonton now has an unrivalled collection of recreation facilities. These facilities are about more than fitness – they are community hubs where all kinds of communities connect.

This theme of connection also extends to the City's partnership with Enerkem at the Waste Management Centre, the result of which is access to the world's first industrial-scale waste-to-biofuels facility. We are on target for our long-term goal of 90 per cent diversion of waste from our landfill. We continue to be recognized as a leading city in climate change action.

We are making significant strides to open up new channels of sharing information and connecting with our residents. This is seen through initiatives like Open City, which builds on the Citizen Dashboard to share information about our outcomes and targets and OpenLab, which is creating new partnerships for collaboration.

These successes are all made possible through the efforts of our dedicated staff, who work hard to build a strong working culture. These efforts too have been recognized. The City of Edmonton was named as one of Canada's 10 Most Admired Corporate Cultures for 2014 by Waterstone Human Capital. We are the first municipality to have won this award.

With our staff, our residents, our Council and all our partners and stakeholders we are truly working in a more integrated, collaborative way to transform our city.

Simon Farbrother MCIP, RPP, MA
City Manager

ELECTORATE

CITY COUNCIL
Mayor and 12 Councillors

Community Services Committee
Four Councillors

Executive Committee
Mayor and four Councillors

Transportation Committee
Four Councillors

Utility Committee
Four Councillors

Audit Committee
Mayor, four Councillors and two external members

LRT Governance Board
Four to six external members

Other Committees
Council has other committees to handle various tasks (e.g. Council Services)

Office of the City Auditor
D. Wiun, City Auditor

EPCOR Utilities Inc.
H. Bolton, Chair

Police Commission
S. Sandhu, Chair

Edmonton Public Library Board
E. Calabrese-Amrhein, Chair

Edmonton Economic Development Corporation
B. Travers, Chair

Other Commissions, Agencies, Boards and Authorities (e.g. Waste Re-Solutions Edmonton and Non-Profit Housing Corporation)

CITY OF EDMONTON ADMINISTRATION

City Manager
S. Farbrother

Community Services
L. Cochrane, General Manager

Corporate Services
K. Rozmahel, General Manager

Financial Services & Utilities
T. Burge, Acting Chief Financial Officer and Treasurer, Acting General Manager

Sustainable Development
G. Klassen, General Manager

Transportation Services
D. Wandzura, General Manager

POLITICAL AND ADMINISTRATIVE STRUCTURE

City Council

Edmonton's City Council consists of 13 elected representatives including one mayor and 12 councillors. The mayor is elected by all Edmontonians who vote in the civic election and councillors are elected by voters in the wards they represent. Council provides leadership and direction to the City Manager and City Administration.

Edmonton has 12 wards and each ward is represented by one councillor. The most recent municipal election took place October 21, 2013, with the next municipal election to be held on October 16, 2017. Based on an amendment of the *Local Authorities Election Act* in 2012, City Council elections are now held every four years.

City Council meets two or three times a month and has a number of standing committees that meet regularly, including the Community Services, Transportation, Utility, Executive and Audit committees.

The Community Services and Transportation committees are directed by City Council and deal with matters specifically related to items that fall within their jurisdiction. The Utility Committee reviews and recommends to City Council items related to policy and rate-setting for waste management, sanitary and storm water drainage utilities, as well as the water and wastewater in-city operations of EPCOR. The Audit Committee aids City Council in fulfilling its oversight responsibilities for financial reporting, audit and enterprise risk management. The Executive Committee makes recommendations and advises Council on items that are more corporate and inter-governmental in nature.

Meetings of City Council and committees are open to the public.

Edmontonians are appointed to more than 25 agencies, boards, commissions and task forces. Whether advisory, decision-making, quasi-judicial or governing, all provide citizens with an opportunity to participate in the present and future direction setting of the city. An LRT Governance Board of between 4 and 6 members with expertise in finance, design, transportation planning or transportation/civil engineering provides oversight of the procurement, development, design and construction of the Valley Line (Southeast and West) LRT project.

Office of the City Auditor

Appointed by and accountable to City Council, the Office of the City Auditor provides internal audit services. In providing such services to the corporation, the Office of the City Auditor performs the key roles of guardian and agent of change by performing independent audits and studies of civic departments and programs.

City Administration

City Administration operates under the leadership of City Manager Simon Farbrother, who assumed this responsibility on January 18, 2010. Appointed by City Council as Chief Administrative Officer, Simon Farbrother ensures City Administration carries out Council's direction and administers public services.

City Administration is organized into five departments:

- Community Services
- Corporate Services
- Financial Services and Utilities
- Sustainable Development
- Transportation Services

Each department is responsible for particular aspects of public service, ensuring that citizens have access to the essential services needed in a livable city. Additionally, there are City-owned subsidiaries and authorities that provide services to the City and to the public on the City's behalf.

Edmonton Economic Development Corporation

Edmonton Economic Development Corporation (EEDC) is a wholly owned subsidiary of the City of Edmonton responsible for providing leadership to the economic growth strategy for Edmonton and the Capital Region. A joint venture of EEDC with the University of Alberta - TEC Edmonton, assists local entrepreneurs, investors and researchers to transform technologies into business opportunities. The Edmonton Film Fund, which is wholly owned by EEDC, was established as a revolving film fund designed to support the development of a sustainable film industry in Edmonton. In 2014, EEDC acquired Start Up Edmonton in order to enhance and grow entrepreneurship in the community by assisting start-up businesses develop into sustainable companies.

EEDC reports to a 14-member board of directors, including Edmonton's mayor, with members appointed from both the private and public sector by City Council.

Edmonton Police Commission

The Edmonton Police Commission works to increase the safety of Edmonton's communities and to ensure professional and ethical policing in Edmonton. It oversees the Edmonton Police Services, including the allocation of funds provided in its annual operating budget to maximize the Police Service's community based approach to enhancing safety and combating crime.

The Edmonton Police Commission consists of seven citizens, appointed by City Council, and two city councillors.

The provincial *Police Act* prescribes powers, duties, functions and constraints of a municipal police commission.

Edmonton Public Library

As a strong advocate for literacy and learning, the Edmonton Public Library (EPL) engages the community with more than ten thousand programs and events every year and offers its services online, at a main location downtown Edmonton and through 18 branches located across the city. The Clareview and Meadows library locations recently opened to the public, providing the citizens of Edmonton greater access to library services. The Edmonton Public Library was named the 2014 Library of the Year, one of the highest honours bestowed upon a library. This was the first year a library outside of the United States has received this award.

The EPL operates under the authority of the *Libraries Act* of Alberta and is governed by a 10-member board of trustees, appointed by City Council. Board membership comprises nine citizens and one city councillor.

EPCOR Utilities Inc.

EPCOR Utilities Inc. (EPCOR) builds, owns and operates electrical transmission and distribution networks, water and wastewater treatment facilities and infrastructure. It also provides electricity and water services and products to residential and commercial customers. EPCOR operates in Canada and the United States, with its head office located in Edmonton.

EPCOR is wholly owned by the City of Edmonton and City Council appoints the utility's board of directors and chair. EPCOR has an 18 per cent non-controlling investment in Capital Power, a power generation company also headquartered in Edmonton.

Waste RE-solutions Edmonton

2492369 Canada Corporation, operating as Waste RE-solutions Edmonton, provides services related to infrastructure development, implementation and ongoing operation of waste management systems and facilities, as well as advisory and consulting services.

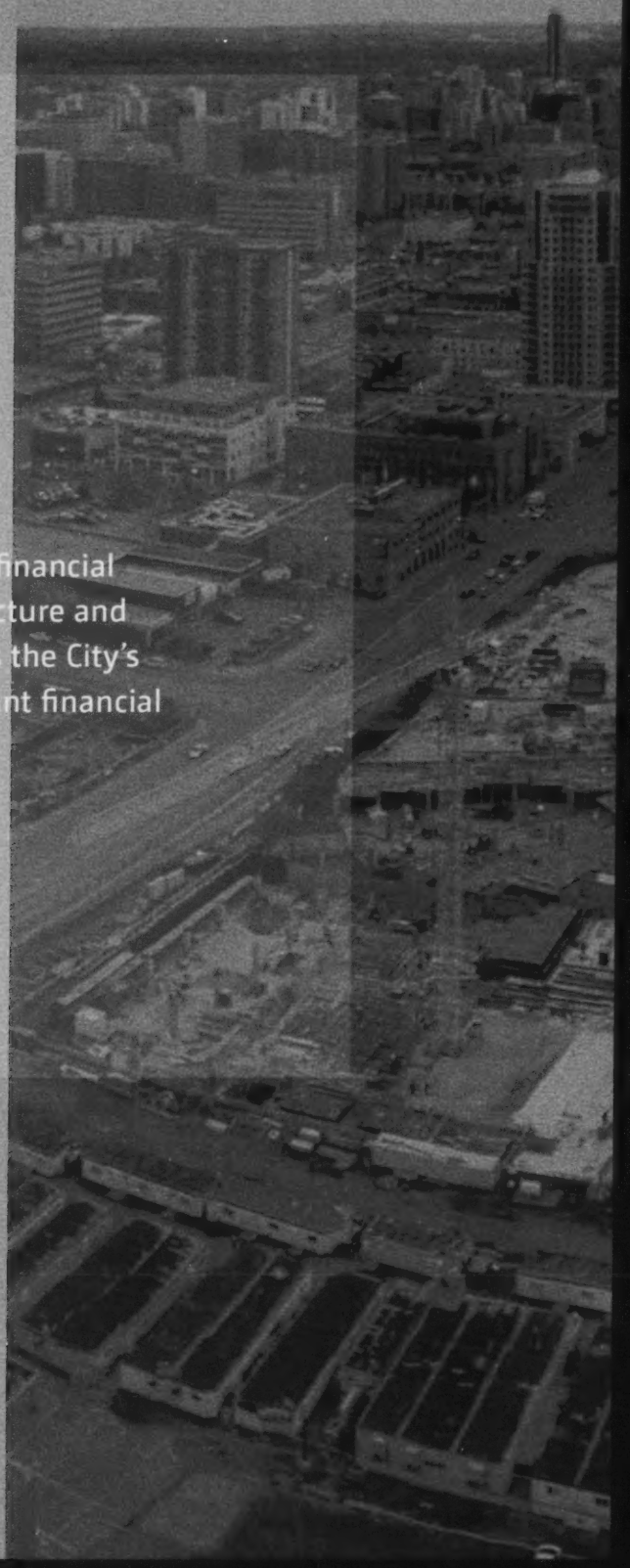
A wholly owned subsidiary of the City of Edmonton, Waste RE-solutions Edmonton is governed by a board of directors comprised of professionals appointed by its shareholder.

Other Boards

In addition to the boards highlighted above, hundreds of Edmontonians play valuable roles as members of commissions, agencies, boards and authorities that provide leadership and advice in vital aspects such as business development, assessment, transportation, housing, historical preservation and much more. Most citizens volunteer their services – evidence of the vibrant volunteerism for which Edmonton is known internationally.

FINANCIAL INFORMATION

The City of Edmonton is entrusted with financial resources to provide municipal infrastructure and services. The following section discusses the City's 2014 financial performance and significant financial policies, strategies and events.



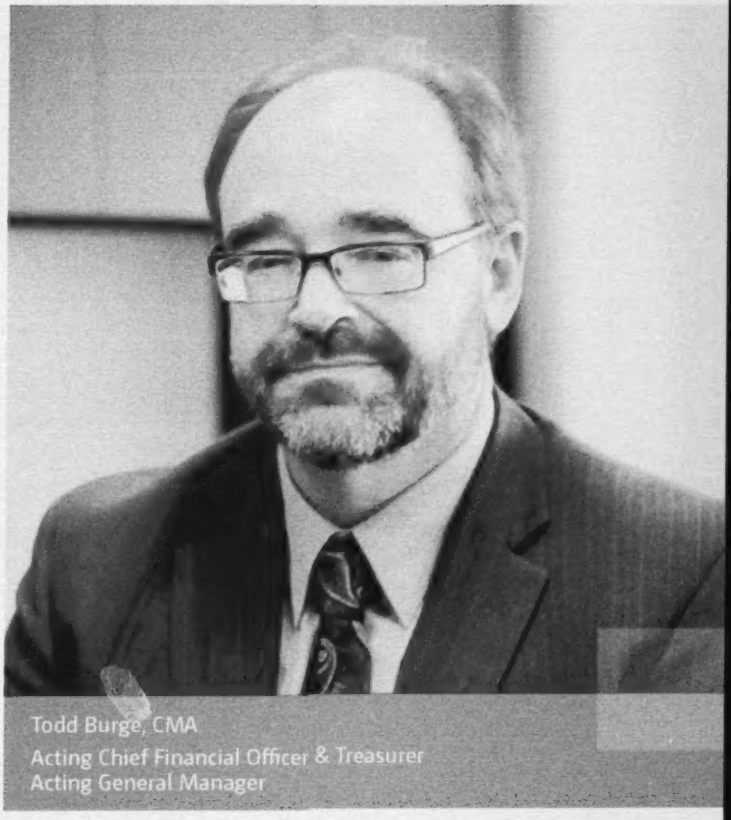
$1.6 B
INVESTMENTS
$1.1 B
CAPITAL ASSET INVESTMENT
2014
$12.7 B
ACCUMULATED SURPLUS

FINANCIAL STATEMENT DISCUSSION & ANALYSIS

The Annual Report provides information regarding the use of financial resources entrusted to the City of Edmonton (City) to provide municipal services and infrastructure. It serves as an opportunity to communicate with stakeholders and other report users regarding the City's 2014 financial performance, as well as significant financial policies, strategies and plans to address financial risk and sustainability.

The 2014 Annual Report includes the consolidated financial statements (financial statements) for the City, prepared in accordance with Canadian public sector accounting standards (PSAS). KPMG LLP have audited the financial statements and have provided the accompanying Auditors' Report. The financial statements and auditors' report satisfy a legislative reporting requirement as set out in the *Municipal Government Act* (MGA) of Alberta.

The following financial statement discussion and analysis should be read in conjunction with the financial statements. Both have been prepared by and are the responsibility of Management. A five year statistical review of key information has also been provided.



Todd Burge, CMA
Acting Chief Financial Officer & Treasurer
Acting General Manager

2014 FINANCIAL HIGHLIGHTS

For 2014, the City was able to execute its business plan and budget as expected. The City completed the final year of its three-year capital budget for 2012-2014 which continued investment in major capital initiatives including Light Rail Transit (LRT) projects, multi-purpose recreation centers, Rogers Place arena, Walterdale bridge replacement and continued neighbourhood renewal and arterial roadway work. A new four-year capital budget for 2015-2018 was approved in December 2014. The capital budget strikes a balance between growth and renewal and will advance work on significant capital projects and begin work on new capital projects.

The 2014 operating budget advanced Council priorities with a combined municipal and education property tax increase for civic programs at 4.9 per cent, including the 1.5 per cent dedicated to fund neighbourhood renewal on a pay-as-you-go basis. The City ended the year with a $9.9 million surplus (0.5 per cent of budgeted expenses) for general government (tax-supported) operations relative to the budget, which is approved on a modified cash basis. The surplus is primarily a result of personnel savings and other net favourable variances across City programs, partially offset by greater than expected snow and ice control costs and various other net unfavourable program variances. The City maintains a healthy financial position with an overall accumulated surplus of $12,745.4 million.

The City continues to monitor its financial performance and strategies to address growth and increased demand for services and to consider the economic impacts of reduced oil prices. An expanded discussion of these challenges are included in the long-term sustainability and risk management portion of this document.

FINANCIAL POSITION

While the City maintained a strong financial position, the net financial asset position (financial assets less liabilities) at December 31, 2014 of $1,051.3 million decreased $50.3 million from the prior year. The significant changes in

financial assets and liabilities are discussed in the following sections. The primary components of the net financial asset balance are the City's investment of $2,340.4 million in the EPCOR subsidiary, investments of $1,606.2 million and long-term debt of $2,823.1 million. Overall the City increased its accumulated surplus to $12,745.4 million, an increase of 4.8 per cent from the prior year balance of $12,159.4 million. The change in the accumulated surplus arises from the annual excess of revenues over expenses for the year of $557.7 million and $28.3 million in other comprehensive income relating to the EPCOR subsidiary.

Cash Position

The City's cash position comprises cash and temporary investments. Temporary investments are used to ensure that sufficient cash and liquid assets are available to manage the timing of the City's operating and capital expenditures. The cash positon has increased to $442.5 million from $204.8 million, an overall increase of $237.7 million mainly due to amounts borrowed in advance of expenses for major projects and timing differences between expenses and funding sources.

The Consolidated Statement of Cash Flows summarizes the sources and uses of cash in 2014. During the year, cash was raised in a combination of $797.9 million from operations and $496.5 million from net borrowing, including a $99.6 million increase from promissory notes. The City spent $940.5 million to acquire tangible capital assets, net of proceeds on disposal, and devoted a further $116.2 million to investing activities.

Receivables

Receivables include amounts owed to the City related to trade and other receivables, taxes, government transfers, and local improvements. The receivables balance of $304.2 million decreased by $104.8 million or 25.6 per cent from the prior year balance of $409.0 million. Note 3 to the financial statements provides further information on the composition of the receivables balance.

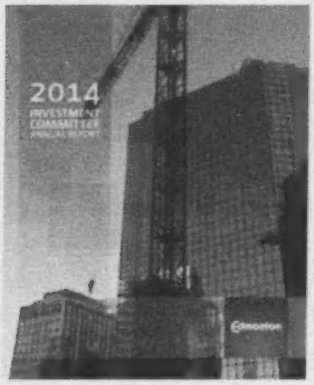
The majority of the decrease in receivables is related to government grants. At the end of 2013 the City had $123.8 million in government grant receivables related to capital expenses incurred in advance of the funding, the majority of which was received in the year. Details on federal and provincial government transfers are provided in Note 18 to the financial statements.

Local improvement receivables increased by $15.7 million due to an increase in local improvement construction that was completed in 2014. Local improvement work of $11.2 million was completed in a large industrial park during the year, in addition to various other local improvements across the City. Property owners have the option to pay for local improvements at the outset of the project or finance the local improvement over a period of time. Local improvement revenue is recognized and a receivable established in the year the project is complete.

The remainder of the trade and other receivables variance is due to year over year variation in taxes, trade and other receivables relating to the City's operations.

Investments

All investments held by the City must comply with the MGA, the associated provincial investment regulation, *Major City's Investment Regulation* and with the City's internal investment policy. The goal of the City Council-approved investment policy, as overseen by the Investment Committee, is to preserve the original principal and to maximize investment returns within an acceptable prudent level of risk. Asset mix is determined based upon the earning objectives, investment time horizon and level of risk tolerance. The Investment Committee's role is to oversee the City's investments. Members are selected to bring both investment and business expertise to the Committee. By monitoring the City's investment program and implementing changes as necessary, the committee ensures that the funds are well positioned and appropriately invested to meet their objectives. The committee is confident that the asset allocation policies remain appropriate, and will continue to monitor and evaluate the City's investment program and recommend changes as appropriate. More detailed information on the investment performance and benchmarks is available in the 2014 Investment Committee Annual Report.

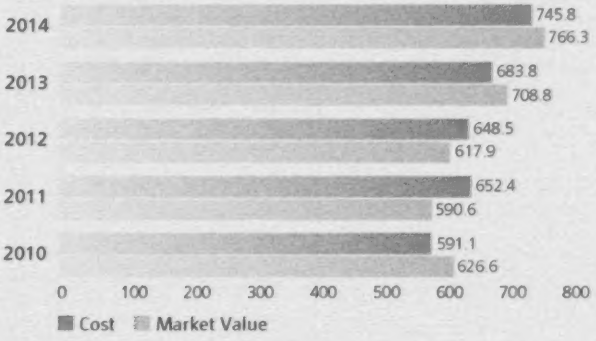


The City's investment custodian, State Street Trust Company, is responsible for the safekeeping of the City's investments. State Street Trust Company was selected as the City's investment custodian in 2008. A review of the City's banking and custodial services is completed periodically.

Included in investments of $1,606.2 million are amounts held as cash, fixed income and common and preferred shares, held within a Short Term Bond Fund, a Balanced Fund and the Ed Tel Endowment Fund. At year end the market value of the investment portfolio was $1,645.4 million, 2.4 per cent above the investment cost.

The largest of the City investment funds is the Ed Tel Endowment Fund, established in 1995, with the investment of $470.2 million in proceeds from the sale of the municipal telephone utility. The objective of the Ed Tel Endowment Fund is to provide a source of income in perpetuity while ensuring that the real purchasing power is maintained. Earnings from the fund are applied under a formula established by City Bylaw 11713. Since inception, the fund has contributed a total of $634.9 million to the City with dividends of $24.7 million provided from the fund in 2014. Based on the June 30, 2013 market value, no additional special dividend was available in 2014. Under a financial strategy implemented in 2010, dividends from the Ed Tel Endowment Fund form part of investment earnings directed to fund capital on a pay-as-you-go basis. The fund ended the year with an investment book value of $745.8 million compared to a market value of $766.3 million.

NET ASSETS OF ED TEL ENDOWMENT FUND
($ MILLIONS)



Additional investments of $333.9 million are managed for trust assets under administration, including City-sponsored pension plans and a long-term disability benefit plan funded by employees. Consistent with public sector reporting standards, trust assets not owned by the City are excluded from the reporting entity. Note 24 to the financial statements provides summary disclosure with respect to trust assets under City administration.

Land for Resale

Land for resale includes land inventory that the City ultimately intends to develop for sale or land determined to be surplus to the municipal needs. The balance is recorded at the lower of cost and estimated net realizable value. Costs associated with preparation for sale are added to the cost of the land. Land for resale increased by a net $13.9 million during 2014 resulting in a balance of $244.4 million. This was due to increased land servicing costs of $30.6 million, largely attributable to the Blatchford redevelopment project and other developments, partially offset by land sold.

Investment in EPCOR

EPCOR builds, owns and operates electrical transmission and distribution networks in Canada as well as water and wastewater treatment facilities and infrastructure in Canada and the United States. EPCOR also provides electricity and water services and products to residential and commercial customers. The City applies a modified equity method of accounting and reporting for EPCOR, a wholly owned subsidiary, as a government business enterprise. EPCOR's 2014 consolidated financial statements have been prepared by EPCOR's management in accordance with International Financial Reporting Standards (IFRS). Accounting principles of EPCOR are not adjusted to conform to those of the City as a local government and inter-organizational transactions and balances are not eliminated.

In 2014, the investment in EPCOR recorded by the City increased to $2,340.4 million from $2,262.2 million in 2013, a net increase of $78.2 million. The net increase is due to EPCOR's reported net income for the year of $190.9 million, other comprehensive income of $28.3 million, offset by a dividend provided to the City of $141.0 million.

In 2009 EPCOR sold substantially all of its power generation assets (net of certain liabilities) to Capital Power for a 72.2 per cent interest in that business. Since 2009 further dispositions have reduced EPCOR's interest in Capital Power to 18 per cent at the end of 2014. By reducing its investment in Capital Power, EPCOR is able to focus more on its core business activities. The equity method is used within EPCOR to account for the investment in Capital Power.

Summary financial information for EPCOR is included in Note 20 to the financial statements. Additional detail is available directly from the organization, using contact information provided at the back of this Annual Report.

Accounts Payable and Accrued Liabilities

The accounts payable and accrued liabilities balance of $714.6 million at the end of 2014 has increased by $23.9 million over the prior year balance of $690.7 million.

Trade payables decreased by $34.5 million due to significant projects underway at the end of 2013 being completed during the year and timing differences in payments of outstanding invoices compared to the prior year. These decreases were partially offset by increases in payables relating to Rogers Place arena and other projects underway at year-end.

Developer obligations increased by $44.4 million or 36.9 per cent over prior year. This is due to a $19.0 million increase in amounts owing for developer arterial roadway construction, a $15.6 million increase in developer payments being held pending fulfillment of requirements set out in service agreements, and a $2.3 million increase in various other developer obligations.

Other payables have increased by $15.1 million due to the timing of payments. There was also a decrease in payroll and remittances of $3.9 million as a result of the timing of year end remittances and an increase in accrued interest payable of $2.7 million related to the increased debt position at the end of the year.

Information on the composition of the accounts payable and accrued liability balance is provided in Note 7 to the financial statements.

Deposits

Deposits are collected by the City in various forms, including performance bonds, funds in lieu of letters of credit, land deposits and utility customer advances. The deposits are held by the City to ensure services are delivered as agreed upon by external contractors and developers. The funds are released once the service has been delivered. Due to the increased commercial and land development activities in 2014, deposits have increased by $15.7 million during the year to $57.3 million.

Deferred Revenue

Deferred revenue is largely made up of government transfers, provided to fund operating or capital expenses. These revenues are externally restricted until used for the purpose intended. The balance of $98.8 million at the end of 2014 represents a net decrease of $4.6 million from the previous year. Operating deferred revenue includes amounts for property and facility rental and other revenue amounts received in advance of services provided. Additional detail with respect to balances and changes in deferred revenue is included in Note 8 to the financial statements.

Debt

The City utilizes debt to finance capital expenditures under principles and limits established within the City's *Debt Management Fiscal Policy* (DMFP). The policy is intended to support the City's long-term capital plans and strategies, while maintaining long-term financial affordability, flexibility and sustainability. The policy also provides for approval of multi-year debt guidelines with a corresponding debt repayment funding strategy, and added flexibility for the application of funds used for debt servicing once debt is retired.

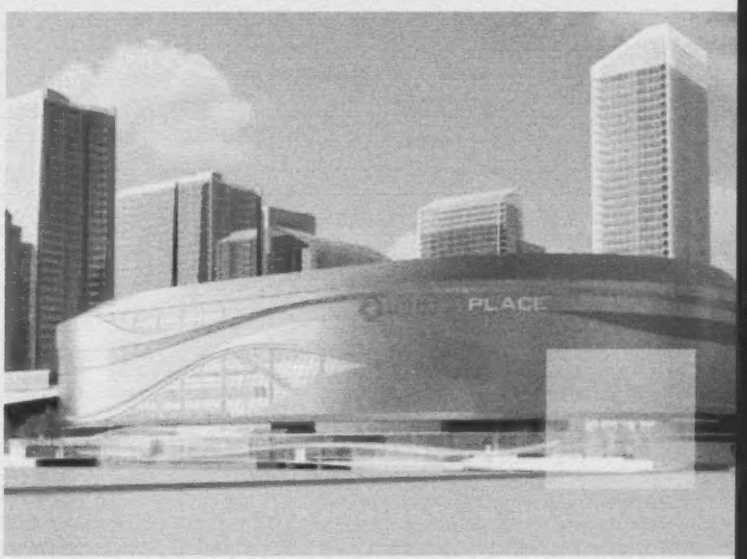
The City has three main types of debt: tax-supported debt funded by tax levy, self-supporting tax-guaranteed debt funded through dedicated non-tax levy revenues, and self-liquidating debt funded through programs that are self-sustaining such as utilities and local improvements. As self-supporting tax-guaranteed debt is guaranteed by the tax levy, it is classified as tax-supported debt.

The development of the City's *The Way We Finance* strategy continued during the year with the release of the Debt White Paper. It discusses the City's policies and strategies with respect to debt management. The paper was discussed at the City Council's Executive Committee on November 12, 2014 and members of the public were invited to speak to the paper through a non-statutory public hearing. The Debt White Paper is available on the City of Edmonton's website.

Borrowing completed by the City since 1993 has generally been in the form of amortizing debentures in Canadian dollars administered through the Alberta Capital Finance Authority (ACFA), utilizing the strong debt rating of the Government of Alberta and combined borrowing volumes across Alberta. Interest rates are established at the time of borrowing and remain constant throughout the term of the debenture, eliminating the risk associated with fluctuating interest rates. Payments are made annually or semi-annually.

During the year, a total of $510.3 million was added through new debenture borrowings and mortgages, with $424.3 million considered tax-supported and $86.0 million self-liquidating. The majority of the tax-supported debt was borrowed to finance the Rogers Place arena construction, land for the Valley Line LRT expansion, Walterdale Bridge replacement and construction of community recreation facilities.

Total borrowing of $541.8 million has been approved as of December 31, 2014 for the Rogers Place arena. As of the end of the year $289.8 million has been borrowed to finance the design, land purchase and construction of the arena. The debt servicing related to this borrowing will be funded largely through future community revitalization levy tax revenues generated through development, lease revenues, ticket surcharges and parking revenues.



The City continued to benefit from low interest rates for new borrowing during the year with ranges as follows:

Term	Interest rates (per cent)
5 year	1.64 to 1.76
10 year	2.31 to 2.57
15 year	2.68 to 3.13
20 year	2.96 to 3.41
25 year	3.10 to 3.68
35 year	3.25 to 3.68

The net long-term debt of $2,823.1 million at December 31, 2014 increased by $396.9 million (16.4 per cent) over the 2013 balance. The gross amount of debentures and mortgages payable of $3,015.9 million is offset by $120.2 million in related amounts receivable from EPCOR, and by sinking fund assets for debt retirement of $72.6 million (market value of $75.4 million). The amount receivable from EPCOR relates to debentures issued in the name of the City on behalf of EPCOR prior to 1999, as well as debt relating to the Gold Bar Wastewater Treatment Facility transferred to EPCOR in 2009. Debt principal repayments of $113.4 million were made during the year; $68.9 million for tax-supported debt and $44.5 million for self-liquidating debt.

Up to $796.7 million has been approved in short-term borrowing to fast-track expenditures in advance of funding from provincial or federal transfer payments. To date, $120.0 million in five-year short-term debt has been borrowed, with $60.0 million being borrowed in each of 2010 and 2012. Interest is payable semi-annually and the principal is to be paid utilizing the government transfer monies when received in 2015 and 2017. Further use of short-term borrowing is not anticipated at this time based on the approved capital expenditure projections and government transfer cash flows.

A Regulation under Section 271 of the MGA establishes limits for municipal debt levels and annual debt servicing costs. The City's debt limit, as defined by the Regulation, is calculated as two times consolidated revenue net of revenue from subsidiary operations - EPCOR, capital government transfers, and contributed tangible capital assets. Debt servicing costs are not to exceed 35 per cent of the same revenues. The City carries levels of debt and debt servicing well below the legislated limit.

(millions of $)

	2014	2013
MGA debt limit	5,154.3	4,620.0
Total debt limit used	2,823.1	2,426.2
Percentage used (%)	54.8	52.5
MGA debt service limit	902.0	808.5
Total debt service limit used	379.4	255.8
Percentage used (%)	42.1	31.6

The City's DMFP sets more conservative debt servicing limits than those established through the MGA. Under the City's policy, the tax-supported debt service limit is 15 per cent of tax-supported revenues, with tax-supported operations for purposes of this calculation as reported within the financial statements in Schedule 2 - Consolidated Schedule of Segment Disclosure. The total debt service limit is set within the DMFP at 22 per cent of corporate revenues for the City, with revenues being defined consistently with the MGA debt limit calculation. The following table compares the debt servicing cost to the limits as established in the City DMFP, where debt servicing cost is the amount of principal and interest for the subsequent year relating to debt in place at the end of the year reported.

(millions of $)

	2014	2013
DMFP limit – tax-supported	310.1	279.1
Total supported debt servicing	215.3	130.1
Percentage used (%)	69.4	46.6
DMFP – all debt (net)	566.9	508.2
Debt servicing cost	299.4	210.8
Percentage used (%)	52.8	41.5

Percentage of debt and debt servicing limits used for the MGA and DMFP purposes increased over the prior year due to new borrowings for the major projects mentioned earlier.

The City continues to follow a pay-as-you-go funding approach for a significant portion of the capital expenses in tax-supported programs.

Non-Financial Assets

Non-financial assets include tangible capital assets, inventories and other assets used to provide services. Tangible capital assets are assets managed and held for use in production or supply of goods and services, for rental to others, for administrative purposes or for development, construction, maintenance or repair of other tangible capital assets. These assets have economic lives that extend beyond a year and are not for sale in the ordinary course of operations. Net tangible capital assets of $11,629.9 million have increased by 5.7 per cent compared to the 2013 balance of $11,003.5 million.

The net increase of $626.4 million is a result of acquisitions and contributions of tangible capital assets of $1,131.3 million, offset by annual amortization of $479.5 million and disposals of assets with a net book value of $25.4 million. Tangible capital assets placed in service were primarily in asset categories of roadways, buildings, land and land improvements, and drainage systems. Schedule 1 - Consolidated Schedule of Tangible Capital Assets to the financial statements provides a continuity schedule for the asset cost and the related accumulated amortization for each of the significant asset types.

The City has changed its estimate on the average useful life of transit buses from 18 to 12 years based on industry best practices, external consultant studies and historical experience. In accordance with PSAS, the change in estimate is applied prospectively. The net book value of the existing bus fleet at the end of the current year reflects the revised asset life. The change in estimate increases the accumulated amortization of buses by $35.6 million. The impact is recognized in the Consolidated Statement of Operations and Accumulated Surplus as an increase in amortization expense.

The level of capital spending from 2009 to 2014 has accelerated key growth projects and focused aggressively on maintaining existing infrastructure. 2014 capital additions of $1,131.3 million, including contributed assets, were similar to the $1,235.7 million level of 2013 and continued a substantive capital investment in city infrastructure for both growth and renewal. Progress was made during the year on the Metro Line and Valley Line LRT projects, neighbourhood renewal program, multi-purpose recreation centers, Rogers Place arena and Walterdale bridge replacement.

Accumulated Surplus

The accumulated surplus reflects the net economic resources that have been built up over time for the City of Edmonton. As reflected in Note 16 to the financial statements, the accumulated surplus consists of restricted and unrestricted amounts, including the 2014 ending position of general government operations, reserves, equity invested in tangible capital assets and advances for construction. The City has maintained a strong accumulated surplus, ending 2014 with a total of $12,745.4 million, an increase of 4.8 per cent from the prior year.

As of December 31, 2014 general government (tax-supported) operations have a year-end position of $9.9 million and the City share of unrestricted excess sinking fund earnings is $3.7 million. Included in the restricted surplus of $3,578.7 million is $2,340.4 million relating to EPCOR, $745.8 million from the Ed Tel Endowment Fund, a combined accumulated surplus from the enterprise and utility operations of Drainage Services, Land Enterprise, Fleet Services and Waste Management of $69.5 million, as well as $389.1 million in reserves for future expenditures. The utilities and enterprises retained earnings decreased by $71.0 million from the prior year, mainly due to increased funding of drainage infrastructure and land purchases through retained earnings.

Reserves

The City maintains a Council-approved policy which directs the establishment and processes with respect to reserves. Initial establishment of reserves, as well as transfers to and from reserves requires the approval of City Council. The most recent overall review of reserve balances and related policies was completed in 2012 to ensure they continue to support the financial goals and serve the highest priority needs of the city and its citizens. The reserve policy and balances are monitored on an ongoing basis with the next formal review planned for 2015.

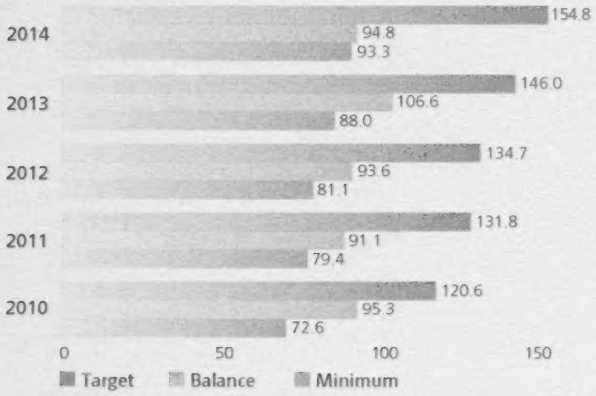
A schedule of reserves has been provided in Note 15 to the financial statements. The reserve balance of $389.1 million also includes reserves of the Edmonton Public Library Board, Edmonton Economic Development Corporation, Non-Profit Housing Corporation and Fort Edmonton Management Company, as approved by their respective Boards.

Of the overall reserve balance, an amount of $94.8 million is held within the unappropriated Financial Stabilization Reserve (FSR). Established in 1997, the intent of the FSR is to provide flexibility to address financial risks associated with revenue instability and unforeseen costs, and to ensure the orderly

provision of services to citizens. As an outcome of the 2009 review of reserves, a minimum balance of 5.0 per cent and a target balance of 8.3 per cent of general government (tax-supported) operating expenses for the FSR were established. The target balance is meant to approximate one month of operating expenses, excluding amortization expense.

The general government surplus position at the end of the year is transferred to the FSR at the beginning of the subsequent year, with any excess over the reserve target level then applied evenly in the three subsequent years' operating budgets or approved to fund significant one-time operating or capital priorities.

FINANCIAL STABILIZATION RESERVE
($ MILLIONS)



During the year, $17.2 million was transferred from the FSR as previously approved by Council to fund 2014 expenses and $22.3 million in funding was appropriated within the FSR to fund future project expenses. The 2014 general government surplus of $9.9 million will be transferred to the reserve in 2015 with $8.1 million then appropriated for funding within the 2015 budget, as approved by City Council. After reflecting the approved transactions, the adjusted FSR balance of $96.6 million will exceed the minimum level as set within the policy of $93.3 million but will be below the target level of $154.8 million.

The Local Improvement Reserve accumulates the annual difference between local improvement revenues and debt servicing related to local improvements. In 2014, the reserve balance increased by $15.3 million from the prior year. This was due to $22.4 million in net revenues recognized for local improvement construction during the year, with $7.1 million used to offset related debt servicing costs. The City borrows to finance 50 or 100 per cent of the local improvement construction cost. Debt servicing related to the borrowing is repaid through the collection of local improvement amounts collected from the benefiting property owners.

A Community Revitalization Levy (CRL) is a funding source the City can use to dedicate future property tax revenue in a specific area to fund public projects designed to encourage new development and revitalize a specific area of the City. The City currently has CRLs approved for Belvedere, the Quarters and Downtown. The province approved the Capital City Downtown CRL Bylaw on April 16, 2014 and the CRL was activated with a baseline assessment date of December 31, 2014. To date, the costs in the early stages of each of the CRLs exceed the CRL revenue, resulting in deficit balances in the CRL reserves. CRL revenues in future years are expected to offset the current reserve deficit balances. Provincial education taxes collected as a part of incremental CRL tax revenues are retained for use within the CRL over its life.

City Council approved new reserves for Traffic Safety and Automated Enforcement and for Interim Financing in 2014.

The Traffic Safety and Automated Enforcement Reserve policy allocates the annual budgeted photo enforcement revenues to the reserve and also allows for annual surpluses from this program to accumulate in the reserve. The reserve provides for the transparent allocation of automated enforcement revenue towards the Office of Traffic Safety, Edmonton Police Service, other traffic safety initiatives and City Council approved expenditures, such as but not limited to, third party community infrastructure programs. The Traffic Safety and Automated Enforcement program ended the year in a net cumulative favourable position of $18.6 million, mainly due to more than expected photo enforcement revenues. The full amount has been transferred to the reserve, creating a year-end reserve balance of $18.6 million.

The Interim Financing Reserve accommodates timing differences between debt servicing costs incurred to advance priority projects and receipt of non-property tax revenue intended to fund those project costs. The reserve improves monitoring and reporting with respect to these funding timing differences. At the end of 2014, the reserve has a deficit balance of $6.7 million, which will be replenished upon receipt of future revenues.

Equity in Tangible Capital Assets

As summarized in Note 14 to the financial statements, equity in tangible capital assets represents the investment made in tangible capital assets, after deducting the portion financed by outstanding long-term debt net of debt recoverable. An increase of $227.5 million for 2014, as a result of the net acquisition of tangible capital assets partially offset by net additional debt, brings the ending balance of Equity in Tangible Capital Assets for the year to $8,858.2 million.

Advances for Construction

$294.9 million of funding/financing is in place at the end of the year where capital expenses have not yet been incurred, compared to $58.3 million at the end of 2013, a net increase of $236.6 million. This is mainly due to amounts borrowed in advance of the construction of major projects including borrowing for Rogers Place arena and other timing differences between financing or funding and expenditures, including land purchases.

FINANCIAL OPERATIONS

The Consolidated Statement of Operations and Accumulated Surplus outlines revenues earned by the City and their application (expenses) to provide municipal services.

(millions of $)

Operating Revenues - Comparison to Prior Year	
2014 actual	2,682.4
2013 actual	2,424.4
Variance	258.0
% variance	10.6

Operating Expenses - Comparison to Prior Year	
2014 actual	2,612.4
2013 actual	2,431.2
Variance	181.2
% variance	7.5

The overall operating revenues increase of $258.0 million from the prior year is due to $121.8 million increased taxation revenue from a combined rate increase and growth, $42.6 million increased user fees and sales of goods and services, $46.1 million increase in investment earnings due to higher fund balances and investment gains and a combined increase in license and permits, franchise fees and developer and customer contributions of $28.9 million. EPCOR earnings increased compared to the prior year by $15.4 million. A net increase in fines and penalties and operating government transfers accounts for the remaining revenue change from the prior year.

Property tax is the primary revenue source available to the City to pay for municipal services. In 2014 net taxes available for municipal services of $1,237.7 million accounted for 46.1 per cent of total operating revenues, a similar percentage compared to 2013. Total tax revenues in 2014 were $1,647.5 million, with $406.4 million collected on behalf of the province for education school tax and 3.4 million for business revitalization zones.

Net taxes for municipal services are collected annually to support City operations, with certain amounts directed towards specific programs such as neighbourhood renewal, community revitalization and local improvement projects. The remaining tax revenues are applied generally across all City departments. Note 17 to the financial statements provides further detail with respect to tax revenue.

Operating expense increases of $181.2 million over the prior year related to net increases in amortization expense of $74.1 million, personnel costs of $66.2 million, and contracted and general services of $36.4 million. Increases in interest and bank changes and losses on disposal/replacement of capital assets were mainly offset by decreases in materials, goods and utilities and in grants and other expenses.

The increased amortization is due to increased capital construction and completion of large capital projects in 2013 and 2014 compared to prior years and a $35.6 million increase in amortization due to a change in estimate to the useful life of transit buses. Note 26 provides more details on the change in transit bus useful life.

Expenses were greater than in the prior year in the areas of snow and ice control, protective services, road maintenance and the operations of new recreation facilities.

Operating revenues are higher than budget by $90.4 million, or 3.5 per cent of the revenue budget, primarily due to greater than budgeted investment earnings, primarily in the ED Tel Endowment Fund, higher than budgeted operating government transfers and developer and customer contributions and increased fines and user fees. These favourable variances are partially offset by lower than expected land sales, included in user fees and sales of goods and services, due to timing of sales.

Investment earnings were greater than budget due to better than expected returns and higher than budgeted fund balances. Government transfers were favourable compared to budget due to the Provincial City Transportation Fund grant received by the City in 2014 and applied as an operating contribution towards the 41st Avenue/Queen Elizabeth II interchange construction. The increase from budget in fine revenues was due to greater than expected photo enforcement revenues. User fees were favourable compared to budget due to greater than expected growth and demand for City services. City facility admission fees increased due to population growth and greater than expected demand of facilities, and drainage and waste management services rate revenues increased due to higher than budgeted customer growth and increased consumption of water services.

Operating expenses of $2,612.4 million were generally managed within the approved budget. There were greater than anticipated costs related to snow and ice control, a greater than budgeted operating contribution towards the 41st Avenue/Queen Elizabeth II interchange project, which is fully offset by the increase in government transfers mentioned above, and an increase in the transit bus amortization as a result of the previously discussed change in the useful life of transit buses. These costs in excess of the budget were mainly offset by lower than anticipated costs from deferred hirings and timing of land sales, as well as less than budgeted contractor and consultant costs due to delayed projects.

The Fleet Services 2014 expense budget is reflected net of annual amortized contributions received by the enterprise. For budgeting purposes the benefits of the contributions are recognized over the useful life of the asset as a reduction to amortization expense. For reporting purposes, the contributed assets are recognized as capital revenue in the year they are received.

(millions of $)

Capital Revenues - Comparison to Prior Year	
2014 actual	487.6
2013 actual	661.7
Variance	(174.1)
% variance	(26.3)

Capital Revenues - Comparison to Budget	
2014 actual	487.6
2014 budget	718.7
Variance	(231.1)
% variance	(32.2)

Capital revenues decreased from the prior year by $174.1 million, due to a decrease in government transfers recognized of $156.4 million and a decrease in contributed tangible capital assets of $42.1 million, partially offset by increases in developer and customer contributions of $10.7 million and local improvement revenues of $13.8 million.

In 2014 less capital was funded through government transfers when compared to the prior year; therefore, fewer capital transfers associated with the projects were included in revenue. In 2013, larger portions of significant capital projects such as the Metro Line LRT and multi-purpose recreation center projects were funded through government transfers. Furthermore, 2013 was the last year for the $75.0 million Provincial City Transportation Fund grant, used to fund the 41st Avenue/Queen Elizabeth II interchange project. Retained earnings, debt and pay-as-you go were relied upon more in 2014 to advance capital projects.

The majority of the $231.1 million variance between the budget and actual capital revenue for government transfers is generally due to timing differences around project expenditures, and therefore the timing in the recognition of the related government transfer revenues.

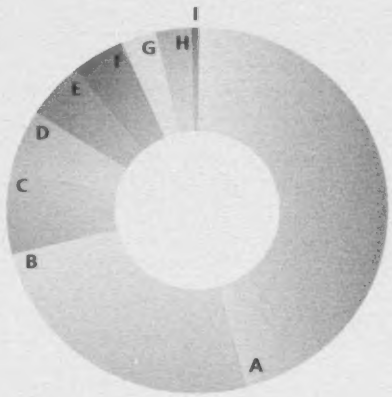
Capital government transfers and developer and customer contributions continue to be a major funding source for advancing the City's capital projects. A review will be conducted in early 2015 to determine the carry-forward of capital funds from the previous capital budget cycle into the 2015-2018 capital budget to complete projects if necessary.

Schedule 2 – Consolidated Schedule of Segment Disclosures, provides an analysis of revenues and expenses (by object) for each of the significant business groupings within the reporting entity. A description of each of the segments is provided in Note 25 to the financial statements.

Consolidated revenues exceeded expenses for the year by $557.7 million after accounting for government transfers for capital, developer and customer contributions for capital, contributed tangible capital assets and local improvements.

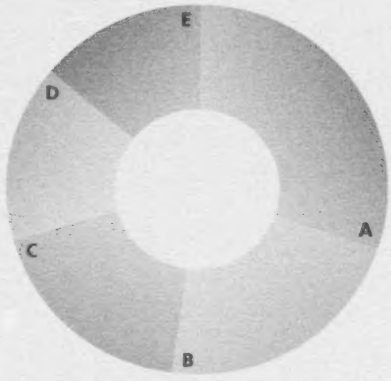
OPERATIONS - SOURCE OF REVENUES
($ MILLIONS)

Revenues	$	%
A. Taxation	1,237.7	46.1
B. User fees and sale of goods and services	675.0	25.2
C. Subsidiary operations – EPCOR	190.8	7.1
D. Investment earnings	150.4	5.6
E. Franchise fees	133.6	5.0
F. Government transfers - operating	117.5	4.4
G. Fines and penalties	83.7	3.1
H. Licenses and permits	79.3	3.0
I. Developer and customer contributions – operating	14.4	0.5
	2,682.4	**100.0**



OPERATIONS - DISTRIBUTION OF EXPENSES
($ MILLIONS)

Expenses	$	%
A. Transportation services	786.1	30.1
B. Protective services	582.3	22.3
C. Community services	479.4	18.4
D. Utility and enterprise services	407.8	15.6
E. Corporate administration, general municipal and other	356.8	13.6
	2,612.4	**100.0**



FINANCIAL CONTROL AND ACCOUNTABILITY

The City maintains the following processes to ensure appropriate financial controls and accountability are maintained and takes a proactive approach to identify and address financial challenges.

Responsible Fiscal Management

In July 2008, based on input provided from thousands of citizens, City Council approved *The Way Ahead: City of Edmonton Strategic Plan 2009-2018. The Way Ahead* was updated in 2011 and continues to be refined. The strategic plan was developed to help the City establish priorities and make informed decisions to improve the quality of life for citizens now and in the future. It helps to set priorities, determine actions and allocate resources in a manner that integrates and connects the day to day work to be done with strategic purpose and intent. The plan moves the City forward on a 30-year vision by establishing 10-year strategic goals. New issues, challenges, trends and opportunities will emerge throughout the 10-year life of the strategic plan. City Council monitors and reviews the plans and makes changes as necessary. Ongoing public involvement assists City Council with refining short-term priorities to meet changing economic situations and emerging needs.

Six directional plans support *The Way Ahead; The We Live, The Way We Green, The Way We Grow, The Way We Move, The Way We Prosper, and the Way We Finance* (collectively, The Ways). The Way We Live, Green, Grow, Move and Prosper are all approved. The Way We Finance (Fiscal Sustainability Plan), currently under development, will outline how the City will ensure its continued sound fiscal management and long-term financial sustainability. The Way We Finance will build on the solid financial governance policies and practices currently in place, reaffirm what is still relevant and make recommendations on financial policies or strategies. Development of The Way We Finance involves an assessment of leading practice and research on several financial policy and strategy topics. White papers are being developed to provide a foundation for discussing the key financial issues and questions. In 2014, white papers on debt, franchise fees and investments were presented to City Council's Executive Committee with non-statutory public hearings held to allow interested citizens an opportunity to provide feedback on the policy issues addressed in the papers. Further information on The Way We Finance is available on the City's website.

On September 10, 2014, City Council approved a multi-year operating budget policy effective with the 2016 budget, which will allow for greater integration between the strategic decisions and related operational impacts. A multi-year operating budget gives direction in establishing the tax levy for the next year and an indicative tax levy change for the following years. The ability to assess the net operating requirements of the City over a longer term allows for more prudent and informed financial decision-making. City Council will have an opportunity to adjust the budget annually to accommodate for changes in provincial or federal budgets, changes imposed by legislation, Council directed changes to priorities, and adjustments to reflect operating impacts related to the implementation and completion of capital projects. Adjustments could be made to the budget due to unforeseen changes to economic forecasts affecting costs, service demand volumes, or revenue projections.

The 10-year Capital Investment Agenda was updated in 2014. The Capital Investment Agenda (2015-2024) identifies the City's 10 - year capital needs and priorities for growth projects and investment targets for renewal based upon known funding sources, as well as the City's financial capacity and debt position. It assists Council in making long-term strategic decisions on how to best allocate City resources to build and maintain the infrastructure requirements over the next decade. The 2015-2024 Capital Investment Agenda is available on the City's website.

The City developed a Capital and Operating Budget system for preparation and monitoring of the operating and capital budgets. The system and revised processes will streamline budget preparation, provide additional detailed analysis and support scenario building to assist decision-making.

City Council's utility fiscal policies govern the financial relationship between the City and each of the municipally owned or operated utilities. These policies require each utility to charge sufficient rates to recover all operating costs, repay capital debt and earn a return on the City's equity investment. The policies also require the sanitary and stormwater drainage utilities to pay the City a franchise fee on utility revenue. The City's waste management utility is exempt from paying a franchise fee to the City.

Budgeting

Edmonton's operating and capital budget-setting process is critical in planning and providing for the City's core services as well as longer term infrastructure planning.

The operating budget identifies planned revenues and expenses using a program-based approach focused on service delivery and advancement towards the City's long-term goals. From year-to-year, new services may be created when City Council identifies a clear need. Services may be enhanced or reduced to more closely align with goals and outcomes, or due to costs, as a result of reprioritization or other factors. With limited sources of revenue available to municipalities to pay for civic services, a balance is required in order to meet the demands of a diverse and growing population. This challenge is dealt with each year during budget deliberations. City Council decides the overall levels of services and types of programs and long-term investments required to support a growing, vibrant city.

In June 2014, Administration provided City Council a forecast of the 2015 operating budget, including cost pressures and the operating impacts of capital, as well as strategies used to mitigate the 2015 tax rate increase. Following deliberations in December 2014, and based on this and other economic and contextual information, City Council approved a total tax rate increase of 5.7 per cent for 2015. This included 4.2 per cent for civic services (inclusive of boards and commissions) and 1.5 per cent for the neighbourhood renewal program. Innovation and efficiency efforts leading up to the 2015 operating budget resulted in $15.6 million in funds being reallocated to other priorities and provided for $12.0 million in cost avoidance, which reduced the tax increase from what it otherwise would have been.

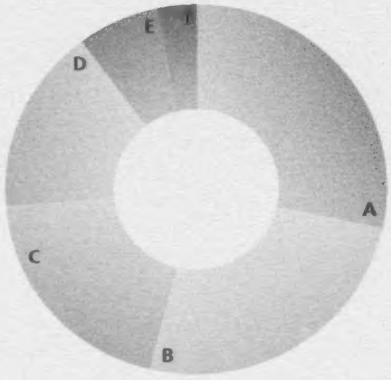
The Bylaw to establish the 2015 municipal tax for all property types will be set by City Council in April 2015. Changes to the operating budget which impact the tax levy may be completed prior to the taxation bylaw approval. Property taxes are one of the funding sources used to provide the services and infrastructure approved in the budget. The budget also includes selected increases in user fees for various municipal services including transit fares, various recreational facility fees, and permit fees.

The capital budget strikes a balance between investments in infrastructure growth and the requirement to maintain and renew existing City assets. It determines the investment in Edmonton's hard infrastructure: the construction of buildings like recreation centers and libraries, transportation assets like LRT lines and bridges, and for underground infrastructure like sewage systems. Supplementary capital budget adjustments are made twice each year (or as required) as needs are refined, as projects advance and as funding sources are confirmed or amended.

2014 was the last year of the three year 2012-2014 capital budget cycle. Going forward, the capital budget is being extended to a four-year period to allow for better long term strategic decision-making and alignment with election terms. The 2015-2018 capital budget was approved by Council in December 2014 and will see investment of $7.1 billion on infrastructure. This includes cash flows for projects extending beyond 2018 and excludes the carry forward of capital budgets for projects not completed from the previous capital budget cycle. The funding and financing sources are as follows:

2015-2018 CAPITAL BUDGET - FUNDING SOURCES ($ MILLIONS)

Sources	$
A. Government transfers and contributions	2,025.3
B. Tax-supported debt financing	1,828.7
C. Pay-as-you-go	1,422.3
D. Accumulated surplus including reserves	1,137.0
E. Self-liquidating debt financing	496.6
F. Other	237.6
	7,147.5



Capital requirements directly related to EPCOR are not included in the capital budget.

City Council and administration are committed to public consultation during the development and review of the annual operating budget and four year capital budget. Edmontonians provide valuable input on operational issues using a variety of channels, including comments through the City's online reporting tools, calls to 311, public consultation on specific programs, contact directly with the Mayor and Councillors throughout the year and through the budget public hearing.

More detailed information on the planning and budgeting process is available on the City's website.

Accounting and Financial Reporting

The City of Edmonton is organized into various business areas, each responsible for managing the delivery of program services in accordance with the resources allocated to those programs. The City currently utilizes a shared services model for financial services. All business areas reporting to the City Manager share a common accounting and reporting system, and financial and accounting services are administered within financial services and delivered to each business area based on their needs. Starting in 2015 accounting and financial reporting services will be centralized in order to improve the quality and timeliness of financial reporting, with the overall objective of supporting better financial decision-making.

The Edmonton Public Library Board, Edmonton Police Services, Non-Profit Housing Corporation, Waste RE-solutions Edmonton and Edmonton Combative Sports Commission utilize the common accounting system but report through their board or commission. EPCOR, Edmonton Economic Development Corporation, and Fort Edmonton Management Company each have independent accounting systems and report through their respective boards.

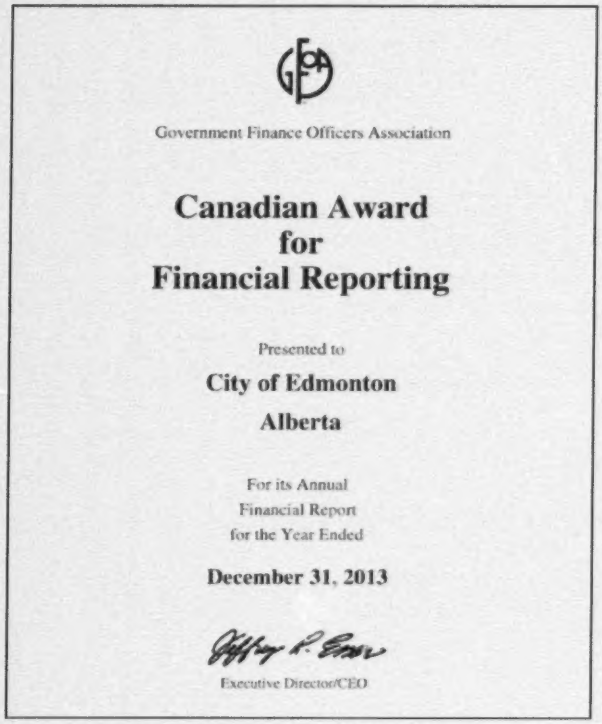
Monthly operating financial performance reports for areas reporting to the City Manager are reviewed administratively, comparing year-to-date revenues and expenses as well as projections to the end of the fiscal year relative to annual budgets. Quarterly operating reporting is provided to City Council along with recommendations to address opportunities and challenges. Capital reporting for second, third and fourth quarters is reviewed with City Council. It is anticipated that performance reporting will be supported by the capital and operating budget system, once fully implemented.

The City continues its commitment to compliance with public sector accounting standards as established by the PSAS board. Details of future accounting standards and pronouncements are included in Note 1 to the financial statements.

Recognition for Achievement

Award programs in the financial area continue to recognize the City of Edmonton for a high standard of achievement.

The Government Finance Officer's Association of the United States and Canada (GFOA) awarded a **Canadian Award for Financial Reporting** to the City of Edmonton for its annual financial report for the fiscal year ended December 31, 2013. The Canadian Award for Financial Reporting program was established to encourage municipal governments throughout Canada to publish high quality financial reports and to provide peer recognition and technical guidance for officials preparing these reports.



Government Finance Officers Association

Canadian Award for Financial Reporting

Presented to

City of Edmonton

Alberta

For its Annual
Financial Report
for the Year Ended

December 31, 2013

Executive Director/CEO

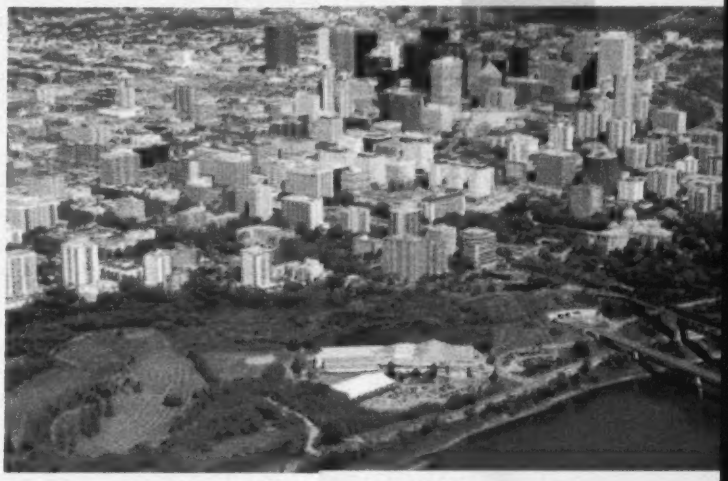
In order to be awarded a Canadian Award for Financial Reporting, a government unit must publish an easily readable and efficiently organized annual financial report, the contents of which conform to program standards. Such reports should go beyond the minimum requirements of generally accepted accounting principles and demonstrate an effort to clearly communicate the municipal government's financial picture, enhance an understanding of financial reporting by municipal governments and address user needs. A Canadian Award for Financial Reporting is valid for a period of one year only. This is the twenty-first consecutive year that the City of Edmonton has received this award. We believe this 2014 Annual Report continues to conform to the Canadian Award for Financial Reporting program requirements and we will be submitting it to the GFOA for consideration and feedback.

The GFOA established the Popular Annual Financial Reporting Awards Program to recognize local governments for producing high quality summarized annual financial reports. The reports must be readily accessible and easily understandable to the general public and other interested parties without a background in public finance. The City received the **Popular Annual Financial Reporting Award** for their 2013 Financial Report to Citizens and we intend to submit the 2014 report for consideration.

The City also received the GFOA award for **Distinguished Budget Presentation** for the fiscal year beginning January 1, 2014. In order to receive this award, a governmental unit must publish a budget document of the highest quality that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

For the fifteenth consecutive year, an **Achievement of Excellence in Procurement Award** was presented to the City of Edmonton from the National Purchasing Institute. This prestigious international award recognizes excellence in public procurement, measuring the innovation, professionalism, productivity and leadership attributes of public sector organizations.

The City received several other awards in 2014 including recognition for one of **Canada's 10 Most Admired Corporate Cultures**. The City of Edmonton is the first municipality to receive the designation.



Auditing Process

The MGA requires municipal councils to appoint an independent auditor. In 2010, a tender for audit services was completed and City Council appointed the firm of KPMG LLP, Chartered Accountants, as External Auditor for a five-year term. The auditor must report to City Council on the annual consolidated financial statements. External audits are also completed for the Provincial Financial Information Return and for each of the pension and benefit plans administered by the City. Certain government transfer programs also require external audit. The process for appointment of an external auditor for the 2015 – 2019 five-year term is currently underway.

The City's Audit Committee serves as a Committee of Council to assist in fulfilling its oversight responsibilities. Audit Committee is responsible for providing oversight and consideration of audit matters brought forward by the City Auditor and the External Auditor. The Committee includes the Mayor, four Councillors and two public members as outlined under Bylaw 16097, *Audit Committee Bylaw*. Audit Committee reviews the consolidated financial statements and makes a recommendation to City Council for the approval of the statements.

The City has an internal audit function independent of the City Administration. The Office of the City Auditor reports directly to City Council through Audit Committee, empowered by Bylaw 12424, *City Auditor*. This bylaw establishes the position of City Auditor and delegates powers, duties, and functions to this position. The City Auditor has two roles:

- **Agent of Change Role** – to conduct proactive and forward looking projects based on the provision of strategic, risk and control-related consulting services to better serve the changing needs of the corporation and bring about improvement in program performance; and
- **Guardian Role** – to conduct projects directed primarily towards providing assurance through review of existing operations, typically focusing on compliance, efficiency, effectiveness, economy and controls.

LONG-TERM SUSTAINABILITY AND RISK MANAGEMENT

The City is committed to an integrated approach to risk management, as it is a critical component of the City's long term sustainability. As with any municipality, there are constant pressures in providing services and service enhancements at a reasonable and affordable cost, balancing the investment between infrastructure growth and renewal projects and ensuring risks are properly managed. A number of strategies are in place or being developed to mitigate risks faced by the City and to address the ongoing operating and capital funding gaps to ensure the long-term sustainability of the City.

Integral to achieving financial sustainability is the continuing use of a comprehensive Enterprise Risk Management Framework. A number of risk management activities are undertaken on an ongoing basis across the corporation.

- A corporate Risk Management area provides risk management advice, claims adjusting, purchase of insurance and completes risk control inspections.
- Risk management has been embedded into multi-year business planning and the financial reporting process to enhance the level of accountability, transparency and monitoring of operations.
- Environmental risks are monitored through internal City practices all of which aid in the effective management of environmental risks and responsibilities.
- The City continues to monitor economic conditions and impacts on the City's financial status so that strategies can be adjusted accordingly. For example, hedges are purchased for future fuel purchases when deemed beneficial, in order to stabilize operating budgets in the face of fuel price fluctuations. Similarly, forward currency contracts are used to mitigate foreign exchange risk within the City's foreign equity investments. Borrowing is completed through the Alberta Capital Finance Authority, which allows Alberta municipalities to borrow at interest rates which would not be available to municipalities acting independently. The interest rates are set for the term of the borrowing, therefore reducing risk associated with fluctuation.

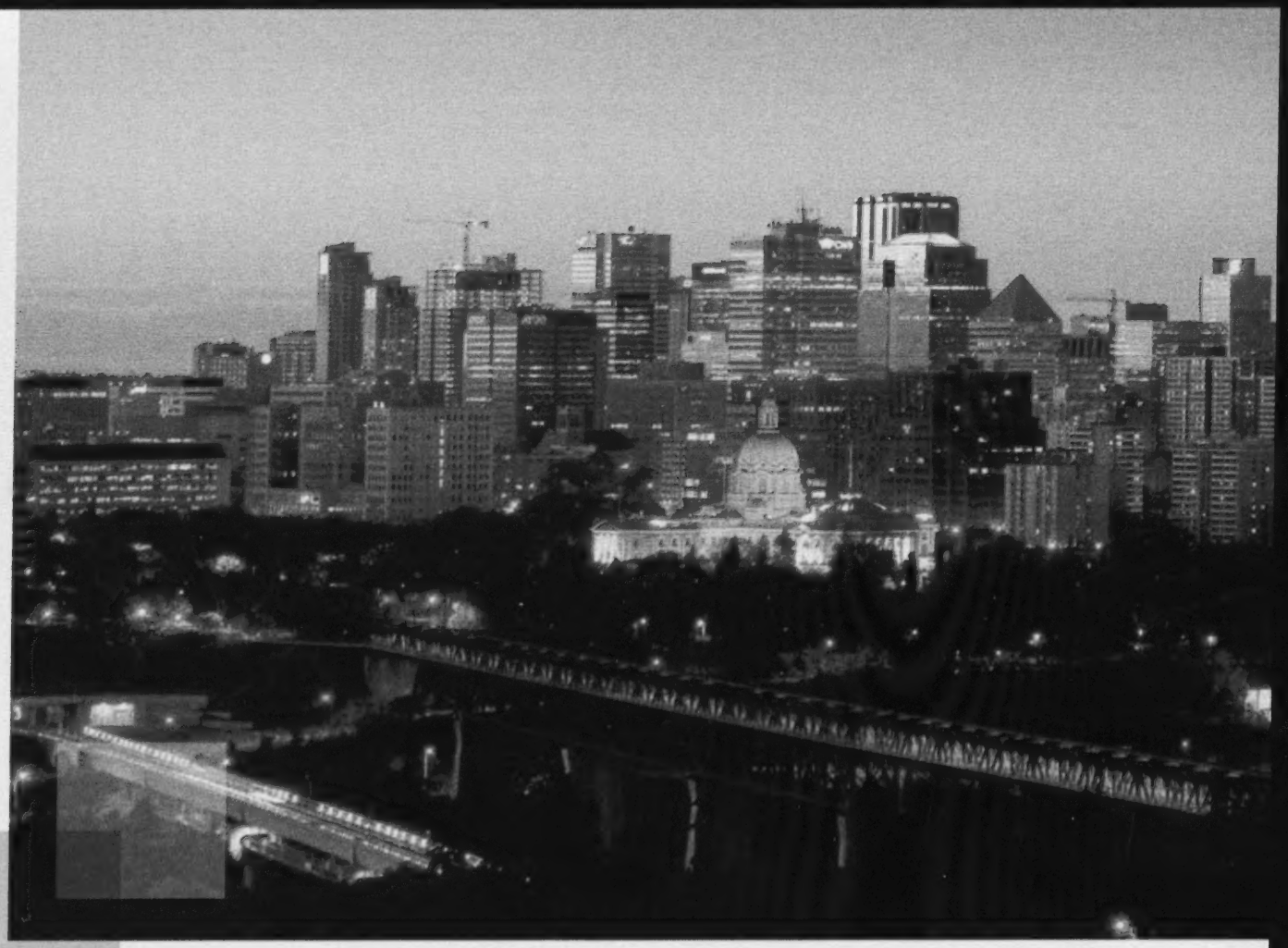
- The City has a Financial Stabilization Reserve which may be used to address emergent needs faced by the City.
- Prudent management of debt through the City's DMFP to ensure debt is used responsibly and does not burden the financial health and long-term sustainability of the City.
- There is an ongoing proactive analysis of the physical, contractual and insurance risks associated with capital projects or major initiatives and appropriate measures are established to identify and control project risk. Recent examples of this practice can be seen with the Rogers Place arena construction and Valley Line LRT projects. In the case of the Rogers Place arena project, a Guaranteed Maximum Price agreement was established with the contractors in order to insulate the City from cost overruns. The Valley Line LRT is being procured with the construction, operation and maintenance provided through a Public-Private Partnership (P3) delivery method, which shares risks between the City and its private partners.

A rapidly growing population creates service level expectations and increased costs for renewing and growing municipal infrastructure. Edmonton's population is expected to nearly double in the coming three decades to over 1.5 million people. Recent economic conditions, specifically the decrease in oil prices, create some uncertainty in terms of future government funding. This recent change in economic conditions, combined with a limited tax base which does not increase proportionately with the increased demand for services and infrastructure, emphasizes the need for long-term planning and risk management.

The City is working to address the infrastructure and service funding gap through various strategies and diversification of revenue streams. The Office of Infrastructure and Funding Strategy provides tools and processes to assist in managing the infrastructure gap to achieve the best possible balance between renewal and growth for a growing City. These strategies are embedded within the 10-year Capital Investment Agenda (2015-2024) and Edmonton City Council's Infrastructure Strategy.

The City of Edmonton is continuing the annexation process to acquire land south of its boundary in order to accommodate the City's growing population and grow in line with the economy.

The City, along with the City of Calgary, entered into a Memorandum of Understanding with the Government of Alberta in mid-2012 to explore options for a legislative framework that recognizes the evolving needs of each city's individual relationship with the provincial government. In October 2014 both municipalities signed a framework agreement with the Province on developing charters for the cities. The framework agreement means that both municipalities and the Province have agreed to work to formalize an agreement to recognize the evolving needs of each city in light of increasing populations and economic growth. The charters would provide Edmonton and Calgary more authority and flexibility related to funding and other governing policies to help address risks and sustainability challenges faced by the two cities. Details of the city charters are scheduled to be finalized in 2016.



CONCLUSION

Edmonton's economic performance during 2014 was very strong both when compared to the rest of Canada and by its own historical standards.

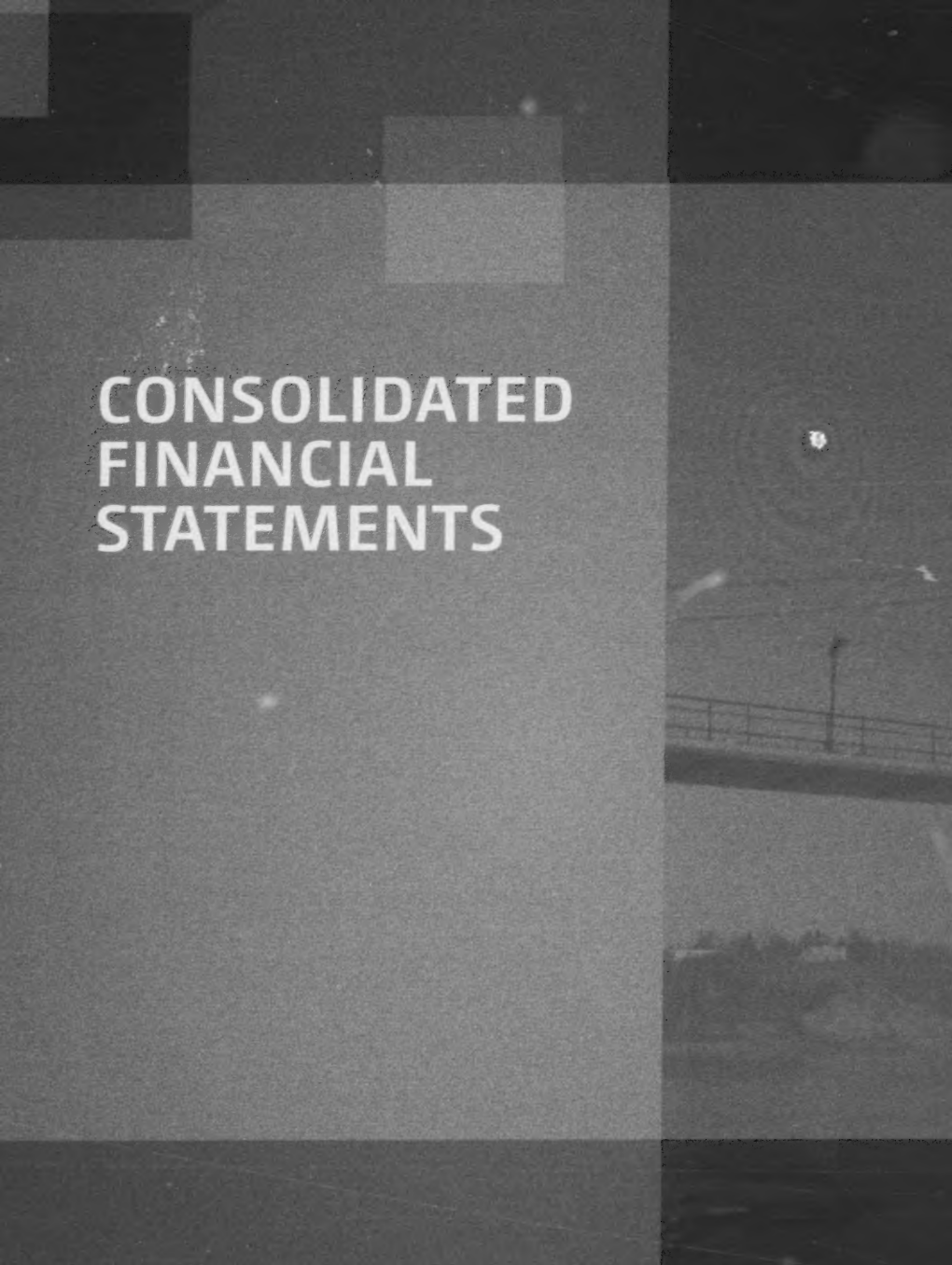
In August 2014, Standard & Poor's affirmed their rating of the City of Edmonton as AA+. The rating was based on an excellent liquidity position, strong economy that has some industry concentration within the energy sector, and strong, but somewhat limited, budgetary flexibility. The ratings also reflected Edmonton's very strong financial management, and low contingent liabilities. Adequate budgetary performance and moderate debt burden, which is expected to increase in the next two years but remain within legislated limits, constrain the ratings.

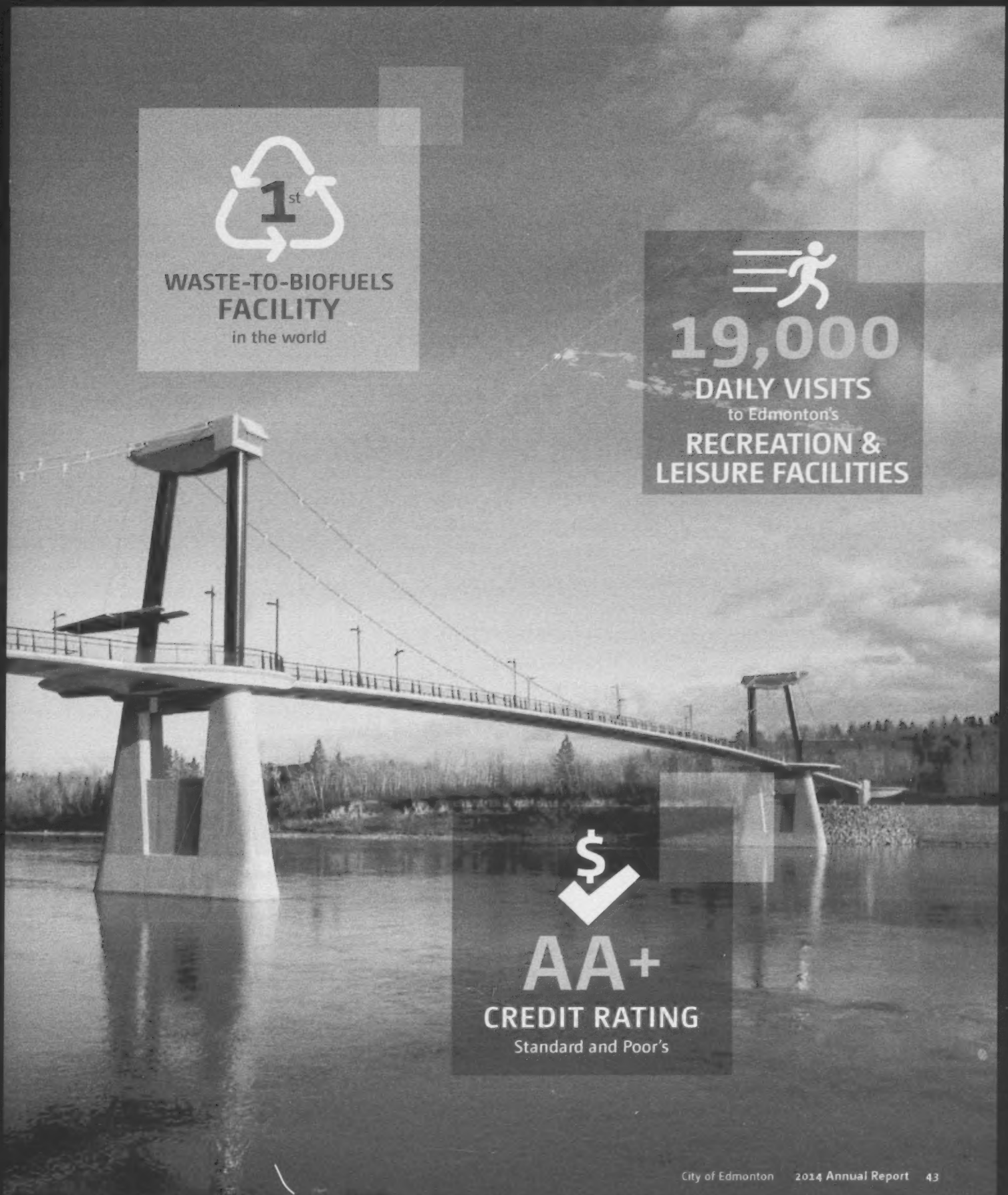
The recent economic fluctuations have reinforced the need to maintain flexibility and to monitor the economy and the City's financial status to ensure continuing adaptation to economic impacts. The City will continue to be challenged to manage emerging competing financial needs as the major centre for the region, and to maintain existing services while addressing service and infrastructure needs associated with the growth. City Council's focus on longer-term planning afforded by the multi-year approach to business plans and budgets will help the City position itself well for the future. Furthermore, the City's long-term financial plan, *The Way We Finance*, will outline guiding principles to ensure continued sound fiscal management and long-term financial sustainability.

Todd Burge, CMA
Acting Chief Financial Officer & Treasurer
Acting General Manager

April 28, 2015

CONSOLIDATED FINANCIAL STATEMENTS




1st
WASTE-TO-BIOFUELS
FACILITY
in the world
19,000
DAILY VISITS
to Edmonton's
RECREATION &
LEISURE FACILITIES
AA+
CREDIT RATING
Standard and Poor's

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the City of Edmonton is responsible for the integrity of the accompanying consolidated financial statements and all other information within this Annual Report. The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards.

To assist in meeting its responsibility, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are appropriately authorized and accurately recorded, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The preparation of the consolidated financial statements necessarily includes some amounts which are based on the best estimates and judgments of management. Financial data elsewhere in the Annual Report is consistent with that of the consolidated financial statements.

Prior to their submission to City Council, the consolidated financial statements have been reviewed and recommended for approval by the Audit Committee. The consolidated financial statements have been audited by the independent firm of KPMG LLP, Chartered Accountants. Their report to the Mayor and City Council, stating the scope of their examination and opinion on the consolidated financial statements, follows.

S. Farbrother, MCIP, RPP, MA
City Manager

Todd Burge, CMA
Acting Chief Financial Officer and Treasurer
Acting General Manager
Financial Services and Utilities

April 28, 2015
Edmonton, Canada

INDEPENDENT AUDITORS' REPORT

To His Worship the Mayor and Members of Council of the City of Edmonton

We have audited the accompanying consolidated financial statements of the City of Edmonton (the City), which comprise the consolidated statement of financial position as at December 31, 2014, the consolidated statements of operations and accumulated surplus, changes in net financial assets, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the consolidated financial position of the City as at December 31, 2014, and the consolidated results of its operations, consolidated changes in its net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants
April 28, 2015
Edmonton, Canada

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2014 (in thousands of dollars)

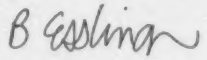
	2014	2013
Financial Assets		
Cash and temporary investments (Note 2)	$ 442,497	$ 204,809
Receivables (Note 3)	304,196	409,022
Investments (Note 4)	1,606,153	1,348,920
Debt recoverable (Note 5)	51,446	53,336
Land for resale	244,441	230,546
Investment in EPCOR (Note 20)	2,340,366	2,262,223
	4,989,099	4,508,856
Liabilities		
Promissory notes payable (Note 6)	99,579	
Accounts payable and accrued liabilities (Note 7)	714,616	690,731
Deposits	57,331	41,607
Deferred revenue (Note 8)	98,811	103,448
Employee benefit obligations (Note 9)	127,407	128,263
Landfill closure and post-closure care (Note 10)	16,964	17,040
Long-term debt (Note 11)	2,823,109	2,426,187
	3,937,817	3,407,276
Net Financial Assets	1,051,282	1,101,580
Non-Financial Assets		
Tangible capital assets (Note 12)	11,629,860	11,003,503
Inventory of materials and supplies	44,228	36,501
Other assets (Note 13)	20,029	17,809
	11,694,117	11,057,813
Accumulated Surplus (Note 16)	$ 12,745,399	$ 12,159,393

Commitments and contingent liabilities (Notes 22 and 23)

See accompanying notes to consolidated financial statements.

Approved on behalf of City Council:

Mayor Don Iveson



Councillor Bev Esslinger

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the year ended December 31, 2014 (in thousands of dollars)

	Budget	2014	2013
Revenues			
Net taxes available for municipal purposes (Note 17)	$ 1,239,397	$ 1,237,696	$ 1,115,909
User fees and sale of goods and services	763,592	674,965	632,377
Subsidiary operations – EPCOR (Note 20)	185,770	190,849	175,499
Investment earnings	33,222	150,363	104,294
Franchise fees	129,696	133,654	127,327
Government transfers – operating (Note 18)	95,003	117,491	119,381
Fines and penalties	70,576	83,660	78,449
Licenses and permits	74,071	79,340	68,748
Developer and customer contributions – operating	677	14,422	2,432
	2,592,004	2,682,440	2,424,416
Expenses			
Transportation services:			
Roadway and parking	352,166	397,037	373,418
Bus and light rail transit	397,783	389,079	380,994
	749,949	786,116	754,412
Protective services:			
Police	364,023	356,887	347,760
Fire rescue	177,399	189,831	174,184
Bylaw enforcement	35,940	35,604	34,491
	577,362	582,322	556,435
Community services:			
Parks and recreation	217,274	225,012	208,843
Planning	88,449	87,851	74,754
Edmonton Public Library Board	54,788	53,421	49,613
Convention and tourism	36,210	44,456	31,137
Community and family	40,303	41,315	37,555
Public housing	25,427	27,393	24,214
	462,451	479,448	426,116
Utility and enterprise services:			
Waste Management	157,962	160,624	151,400
Drainage Services	135,973	136,948	129,280
Fleet Services (Note 26)	6,083	81,159	36,528
Land Enterprise	147,574	29,067	44,211
	447,592	407,798	361,419
Corporate administration	176,984	174,486	172,258
General municipal	168,337	160,718	137,933
Pension adjustments and other	8,210	13,894	11,755
Tax appeals and allowances	7,600	7,599	10,851
	2,598,485	2,612,381	2,431,179
Excess (Shortfall) of Revenues over Expenses before other	(6,481)	70,059	(6,763)
Other			
Government transfers – capital (Note 18)	466,956	224,599	380,960
Contributed tangible capital assets (Note 12)	147,000	177,478	219,599
Developer and customer contributions – capital	94,760	63,153	52,466
Local improvements	9,967	22,402	8,637
Excess of Revenues over Expenses	712,202	557,691	654,899
Accumulated Surplus, beginning of year	12,159,393	12,159,393	11,509,453
Subsidiary operations – EPCOR – IAS19 adoption and other comprehensive income (Note 20)		28,315	(4,959)
Accumulated Surplus, end of year	$ 12,871,595	$ 12,745,399	$ 12,159,393

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the year ended December 31, 2014 (in thousands of dollars)

	Budget	2014	2013
Excess of Revenues over Expenses	$ 712,202	$ 557,691	$ 654,899
Acquisition of tangible capital assets	(1,523,273)	(953,788)	(1,016,111)
Contributed tangible capital assets (Note 12)	(147,000)	(177,478)	(219,599)
Proceeds on disposal of tangible capital assets		13,293	20,789
Amortization of tangible capital assets (Note 26)	410,604	479,470	405,347
Loss (gain) on disposal/replacement of tangible capital assets	(700)	12,146	7,999
	(1,260,369)	(626,357)	(801,575)
Net acquisition of inventory of materials and supplies		(7,727)	(3,758)
Net (acquisition) use of other assets		(2,220)	2,857
		(9,947)	(901)
Subsidiary operations – EPCOR – IAS19 adoption and other comprehensive income (Note 20)		28,315	(4,959)
Decrease in Net Financial Assets	(548,167)	(50,298)	(152,536)
Net Financial Assets, beginning of year	1,101,580	1,101,580	1,254,116
Net Financial Assets, end of year	$ 553,413	$ 1,051,282	$ 1,101,580

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2014 (in thousands of dollars)

	2014	2013
Net inflow (outflow) of cash and temporary investments:		
Operating Activities		
Excess of revenues over expenses	$ 557,691	$ 654,899
Add (deduct) items not affecting cash and temporary investments:		
Subsidiary operations – EPCOR	(190,849)	(175,499)
Amortization of tangible capital assets	479,470	405,347
Loss on disposal/replacement of tangible capital assets	12,146	7,999
Contributed tangible capital assets	(177,478)	(219,599)
Change in non-cash items:		
Receivables	104,826	(68,351)
Debt recoverable	1,890	2,012
Land for resale	(13,895)	9,228
Inventory of materials and supplies	(7,727)	(3,758)
Other assets	(2,220)	2,857
Accounts payable and accrued liabilities	23,885	91,287
Deposits	15,724	9,078
Deferred revenue	(4,637)	19,280
Employee benefit obligations	(856)	(1,093)
Landfill closure and post-closure care	(76)	(771)
	797,894	732,916
Capital Activities		
Acquisition of tangible capital assets	(953,788)	(1,016,111)
Proceeds on disposal of tangible capital assets	13,293	20,789
	(940,495)	(995,322)
Investing Activities		
Dividend from subsidiary (Note 20)	141,021	141,021
Net increase in investments	(257,233)	(93,582)
	(116,212)	47,439
Financing Activities		
Promissory notes issued	99,579	59,766
Repayment of promissory notes		(59,766)
Debenture borrowings	510,348	290,964
Repayment of long-term debt	(113,426)	(97,698)
	496,501	193,266
Increase (decrease) in cash and temporary investments	237,688	(21,701)
Cash and temporary investments, beginning of year	204,809	226,510
Cash and temporary investments, end of year	$ 442,497	$ 204,809

Operating activities for 2014 include $27,949 (2013 - $27,655) of interest received and $111,146 (2013 - $97,910) of interest paid.

See accompanying notes to consolidated financial statements.

SCHEDULE 1 - CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2014 (in thousands of dollars)

	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Land	$ 1,289,906	$ 39,859	$ (3,310)	$ 1,326,455
Land improvements	800,517	153,410	(5,940)	947,987
Buildings	1,673,033	231,185	(8,194)	1,896,024
Machinery and equipment	704,323	100,038	(29,100)	775,261
Vehicles	932,134	32,086	(14,993)	949,227
Engineered structures:				
Roadway system	5,956,999	481,813	(62,397)	6,376,415
Drainage system	2,823,493	150,776	(842)	2,973,427
Light rail transit	808,783	32,225	(2,733)	838,275
Waste	162,551	1,972		164,523
Bus system	134,830	8,075	(2,354)	140,551
Other	17,899	2,223	(23)	20,099
	15,304,468	1,233,662	(129,886)	16,408,244
Assets under construction	1,670,378	(102,396)		1,567,982
	16,974,846	1,131,266	(129,886)	17,976,226
Accumulated Amortization				
Land improvements	349,518	28,346	(5,940)	371,924
Buildings	733,515	52,437	(673)	785,279
Machinery and equipment	415,429	55,747	(28,639)	442,537
Vehicles	393,984	102,262	(14,341)	481,905
Engineered structures:				
Roadway system	3,026,545	171,008	(50,771)	3,146,782
Drainage system	608,179	39,325	(181)	647,323
Light rail transit	280,009	19,809	(2,260)	297,558
Waste	107,085	4,095		111,180
Bus system	52,744	5,647	(1,619)	56,772
Other	4,335	794	(23)	5,106
	5,971,343	479,470	(104,447)	6,346,366
Net Book Value	$ 11,003,503	$ 651,796	$ (25,439)	$ 11,629,860

Additions to assets under construction are reported net of those tangible capital assets placed into service during the year, which are shown in their respective asset classifications.

See accompanying notes to consolidated financial statements.

SCHEDULE 2 - CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURES (NOTE 25)

For the year ended December 31, 2014 (in thousands of dollars)

	Tax-Supported										
	Transportation Services	Protective Services	Community Services	Other Tax-Supported	Total Tax-Supported	Waste Management	Drainage Services	Fleet Services	Land Enterprise	EPCOR	Other	2014
Revenues												
Net taxes available for municipal purposes	$	$	$ 1,958	$ 1,235,274	$ 1,237,232	$	$	$	$ 464	$	$	$ 1,237,696
User fees and sale of goods and services	160,354	27,109	96,534	11,260	295,257	157,488	162,159	10,879	38,450		10,732	674,965
Subsidiary operations – EPCOR										190,849		190,849
Investment earnings	2		1,058	57,800	58,860	83	1,106		10		90,304	150,363
Franchise fees				141,994	141,994		(8,340)					133,654
Government transfers – operating	17,016	25,116	25,572	45,525	113,229	4,000					262	117,491
Fines and penalties		61,205	917	21,510	83,632						28	83,660
Licenses and permits	861	3,329	62,932	9,930	77,052		1,248				1,040	79,340
Developer and customer contributions – operating			14,409		14,409						13	14,422
Appropriation of earnings				24,714	24,714						(24,714)	
	178,233	116,759	203,380	1,548,007	2,046,379	161,571	156,173	10,879	38,924	190,849	77,665	2,682,440
Expenses												
Salaries, wages and benefits	290,859	462,268	222,977	222,116	1,198,220	38,311	62,442	67,347	2,088		2,307	1,370,715
Materials, goods and utilities	105,410	30,272	49,947	21,555	207,184	13,135	12,826	39,304	22,111		608	295,168
Contracted and general services	126,044	74,710	102,579	(7,481)	295,852	78,668	(1,028)	(116,399)	3,876		9,264	270,233
Interest and bank charges	40,100	499	24,722	17,094	82,415	8,823	18,074	1,833	892		513	112,550
Grants and other		406	43,828	24,341	68,575	3,619			100		(195)	72,099
Amortization of tangible capital assets	212,786	14,011	33,467	65,178	325,442	18,068	44,634	89,929			1,397	479,470
Loss (gain) on disposal/replacement of tangible capital assets	10,917	156	1,928		13,001			(855)				12,146
	786,116	582,322	479,448	342,803	2,190,689	160,624	136,948	81,159	29,067		13,894	2,612,381
Excess (shortfall) of Revenues over Expenses before other	(607,883)	(465,563)	(276,068)	1,205,204	(144,310)	947	19,225	(70,280)	9,857	190,849	63,771	70,059
Other												
Government transfers – capital	157,828	8,944	49,889	7,938	224,599							224,599
Contributed tangible capital assets	54,908		35,898	1,577	92,383		85,059	36				177,478
Developer and customer contributions – capital	16,279		10,052	15	26,346		36,807					63,153
Local improvements				20,762	20,762		1,640					22,402
	229,015	8,944	95,839	30,292	364,090		123,506	36				487,632
Excess (shortfall) of Revenues over Expenses	$ (378,868)	$ (456,619)	$ (180,229)	$ 1,235,496	$ 219,780	$ 947	$ 142,731	$ (70,244)	$ 9,857	$ 190,849	$ 63,771	$ 557,691

See accompanying notes to consolidated financial statements.

SCHEDULE 2 - CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURES (NOTE 25)

For the year ended December 31, 2013 (in thousands of dollars)

	Transportation Services	Protective Services	Tax-Supported Community Services	Other Tax-Supported	Total Tax-Supported	Waste Management	Drainage Services	Fleet Services	Land Enterprise	EPCOR	Other	2013
Revenues												
Net taxes available for municipal purposes	$	$	$	$ 1,115,727	$ 1,115,727	$	$	$	$ 182	$	$	$ 1,115,909
User fees and sale of goods and services	157,216	26,287	81,456	9,169	274,128	145,125	144,894	11,212	47,579		9,439	632,377
Subsidiary operations – EPCOR										175,499		175,499
Investment earnings	3		930	41,805	42,738	118	850	890	32		59,666	104,294
Franchise fees				135,164	135,164		(7,837)					127,327
Government transfers – operating	18,004	26,112	25,130	45,933	115,179	3,701	169				332	119,381
Fines and penalties		56,026	1,031	21,376	78,433						16	78,449
Licenses and permits	809	3,372	52,701	10,051	66,933		936				879	68,748
Developer and customer contributions – operating			2,355		2,355							
Appropriation of earnings				21,461	21,461						77	2,432
	176,032	111,797	163,603	1,400,686	1,852,118	148,944	139,012	12,102	47,793	175,499	(21,461)	
											48,948	2,424,416
Expenses												
Salaries, wages and benefits	288,199	436,626	204,730	206,205	1,135,760	36,719	60,923	65,925	1,994		3,157	1,304,478
Materials, goods and utilities	110,305	27,287	44,951	21,843	204,386	10,393	13,203	40,126	34,909		666	303,683
Contracted and general services	110,816	78,917	83,478	(4,741)	268,470	73,444	(3,279)	(116,069)	5,145		6,107	233,818
Interest and bank charges	38,912	560	18,904	11,595	69,971	9,879	16,560	1,883	924		563	99,780
Grants and other		422	40,016	32,282	72,720	3,331	10				13	76,074
Amortization of tangible capital assets	198,795	12,332	34,144	53,670	298,941	17,634	41,863	45,398	262		1,249	405,347
Loss (gain) on disposal/replacement of tangible capital assets	7,385	291	(107)	188	7,757			(735)	977			7,999
	754,412	556,435	426,116	321,042	2,058,005	151,400	129,280	36,528	44,211		11,755	2,431,179
Excess (shortfall) of Revenues over Expenses before other	(578,380)	(444,638)	(262,513)	1,079,644	(205,887)	(2,456)	9,732	(24,426)	3,582	175,499	37,193	(6,763)
Other												
Government transfers – capital	315,100	5,092	47,175	12,114	379,481		944	535				380,960
Contributed tangible capital assets	74,561		49,207	5,841	129,609		89,990					219,599
Developer and customer contributions – capital	21,836		5,458	76	27,370	3	25,093					52,466
Local improvements				8,637	8,637							8,637
	411,497	5,092	101,840	26,668	545,097	3	116,027	535				661,662
Excess (shortfall) of Revenues over Expenses	$ (166,883)	$ (439,546)	$ (160,673)	$ 1,106,312	$ 339,210	$ (2,453)	$ 125,759	$ (23,891)	$ 3,582	$ 175,499	$ 37,193	$ 654,899

See accompanying notes to consolidated financial statements.

The City of Edmonton (the City) is a municipality in the Province of Alberta, Canada and operates under the provisions of the *Municipal Government Act*, R.S.A., 2000, c. M-26, as amended (MGA).

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements (the financial statements) of the City are prepared by management in accordance with Canadian public sector accounting standards (PSAS). Significant aspects of the accounting policies adopted by the City are as follows:

a) Reporting Entity

The financial statements reflect the revenues, expenses, assets, liabilities and accumulated surplus of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their financial affairs and resources to the City and which are owned or controlled by the City. In addition to general government tax-supported departments, they include the following:

- Edmonton Public Library Board
- Edmonton Economic Development Corporation
- Drainage Services Utility (Sanitary Drainage Services, Stormwater Drainage Services and Drainage Design and Construction)
- Waste Management (including 2492369 Canada Corporation, operating as Waste RE-solutions Edmonton)
- Fleet Services
- Land Enterprise (Land Development and Municipal Land Use Property)
- Ed Tel Endowment Fund
- The City of Edmonton Non-Profit Housing Corporation (Non-Profit Housing Corporation)
- Fort Edmonton Management Company
- Edmonton Combative Sports Commission

Interdepartmental and inter-organizational transactions are eliminated.

EPCOR Utilities Inc. (EPCOR), a subsidiary corporation of the City, is accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for a government business enterprise (Note 20). Under the modified equity basis, the government business enterprise's accounting principles are not adjusted to conform with those of the City, and inter-organizational transactions and balances are not eliminated. Other comprehensive income (loss) due to fair value adjustments is reported on the Consolidated Statement of Operations and Accumulated Surplus as an adjustment to Accumulated Surplus.

The financial statements exclude trust assets under administration for the benefit of external parties (Note 24).

b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Revenues are accounted for in the period in which they are earned and measurable. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Expenses are recognized as they are incurred and measurable based upon receipt of the goods and services and/or the legal obligation to pay.

Operating budget information is consistent with amounts approved by City Council in April 2014, with the passing of Bylaw 16744 – 2014 Property Tax and Supplementary Property Tax Bylaw. The budget is reported on an accrual basis, consistent with principles applied in the consolidated financial statements.

Capital budgets reflect the 2014 budget originally approved by Council in December 2011 as a part of the overall 2012-2014 capital budget, plus any carry forward of unspent capital budget from previous years. Capital budget adjustments made as part of the spring and fall supplementary capital budget adjustment process are not reflected.

c) Use of Estimates

The preparation of financial statements in conformity with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Administration has used estimates to determine employee benefit obligations, pension obligations relating to City-sponsored pension plans, landfill closure and post-closure care obligations, accrued liabilities including estimates for expropriation of municipal lands, useful lives of tangible capital assets as well as provisions made for allowances for amounts receivable or any provision for impairment of investment values.

d) Foreign Currency

Monetary items denominated in foreign currency are translated to Canadian dollars at exchange rates in effect at December 31 and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transactions or at rates of exchange established by the terms of a forward foreign exchange contract. Gains (losses) on foreign currency translation are included as revenues (expenses).

e) Tax Revenue

Annually, the City bills and collects property tax revenues for municipal purposes. Tax revenues are based on market value assessments determined in accordance with the MGA and annually established tax rates. Municipal tax rates are set each year by City Council in accordance with legislation and City Council-approved policies to raise the tax revenue required to meet the City's budget requirements. Tax revenues are recorded at the time tax billings are issued. Property assessments are subject to tax appeal. A provision has been recorded in accounts payable and accrued liabilities for potential losses on assessment appeals outstanding at December 31. Expenses related to tax appeals and allowances are separately disclosed in the Consolidated Statement of Operations and Accumulated Surplus.

The City also bills and collects education tax on behalf of the Province of Alberta (the "Province"). Education tax rates are established by the Province each year in order to fund the cost of education on a Province-wide basis. Education taxes collected are remitted to the Province and are excluded from revenues and expenses in the Consolidated Statement of Operations and Accumulated Surplus (Note 17). Education taxes collected as a part of the incremental property taxes within a community revitalization levy (CRL) area are retained to offset development costs in the area over the life of the CRL.

f) Government Transfers

Government transfers are the transfer of monetary assets or tangible capital assets from other orders of government that are not the result of an exchange transaction and for which there is no expectation of repayment or direct financial return to the transferor in the future. The City receives government transfers from the Federal and Provincial governments to fund operating and capital expenditures. These transfers to the City are recognized as revenues when the transfers are authorized and all the eligibility criteria, if any, have been met, except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability for the recipient. Prior to that time, any amounts received, along with restricted interest thereon are recorded as deferred revenue.

Authorized transfers from the City to other organizations or individuals are recorded as an expense when the transfer has been authorized and the eligibility criteria, if any, have been met by the recipient. The majority of transfers made by the City are in the form of grants or subsidies.

g) Local Improvements

When a service or improvement is deemed to benefit a specific area more than the municipality as a whole, the project may be classified as a local improvement under the MGA, to be paid, in whole or in part, by a tax imposed on the benefiting property owners. The property owner's share of the improvement is recognized as revenue, and established as a receivable, in the period that the project expenditures are completed.

h) Land for Resale

Land for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvements to prepare the land for sale or servicing.

i) Investments

Fixed income investments are recorded at amortized cost. Purchase premiums and discounts are amortized on the net present value basis over the terms of the issues. Investments in common and preferred shares and pooled funds are recorded at cost. Where there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss. Any net undistributed realized losses in multi-unit investment trusts managed by the City are recorded.

j) Debt Recoverable

Debt recoverable consists of amounts that are recoverable under loans made to non-profit organizations, relating to outstanding long-term debt of the City. These debt recoverable amounts are recorded at a value equivalent to the offsetting outstanding long-term debt balances as at December 31.

k) Non-Financial Assets

Non-financial assets are not available to discharge liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. Non-financial assets are comprised of tangible capital assets, inventory of materials and supplies, and other assets.

i) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset.

Interest charges during construction are not capitalized. The cost, less residual value of the tangible capital assets, is amortized on a straight-line basis over the following estimated useful lives of the assets:

Land improvements	20 to 50 years
Buildings	10 to 60 years
Machinery and equipment	3 to 50 years
Vehicles	9 to 35 years
Engineered structures	7 to 100 years

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

ii) Contributed tangible capital assets

Tangible capital assets acquired as contributions are recorded at their fair value on the date received. Equivalent amounts are recorded as contributed tangible capital assets on the Consolidated Statement of Operations and Accumulated Surplus.

iii) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all benefits and risks incidental to ownership of property are accounted for as capital leases. Assets under capital lease are included within the respective asset classifications. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

iv) Land under roads

Land under roads that is acquired other than by a purchase agreement is valued at a nominal amount.

v) Inventory of materials and supplies

Inventory of materials and supplies is valued at the lower of average cost and replacement cost.

vi) Cultural, historical, and works of art

The City manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at City sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized. Costs for public art are expensed in the period they are incurred.

l) Employee Benefit Obligations

The costs of post-employment benefits, compensated absences and termination benefits are recorded as an expense when the event that gives rise to the obligation occurs.

City employees participate in multi-employer pension plans that are administered by third parties. Obligations related to plan deficiencies are not recorded for these multi-employer pension plans as the City's share is not determinable. Contributions to multi-employer plans for current and past service are recorded as expenses in the year in which they become due.

Costs related to City-sponsored registered and non-registered defined benefit pension plans are recognized when earned by plan members. Plan obligations are actuarially determined using the projected benefit method prorated on service, applying management's best estimates of expected retirement ages of employees, salary and benefit escalation, plan investment performance and discount rates.

Actuarial gains and losses for active plans are amortized on a straight-line basis over the expected average remaining service life of the related employee group. Adjustments arising from prior service costs relating to plan amendments and changes in the valuation allowance are recognized in the period in which the adjustment occurs. The City records the actuarially determined net fund asset or liability for City-sponsored registered pension plans. For jointly sponsored plans, the City records its proportionate share of that asset or liability.

m) Reserves for Future Expenditures

Certain amounts, as approved by City Council, are designated within accumulated surplus as reserves for future operating and capital expenditures.

n) Equity in Tangible Capital Assets

Equity in tangible capital assets is included within accumulated surplus. It represents the investment in tangible capital assets, after deducting the portion financed by long-term debt.

o) Future Accounting Standard Pronouncements

The following summarizes upcoming changes to PSAS. In 2015, the City will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption can vary, certain standards must be adopted concurrently. The requirements in PS1201, *Financial Statement Presentation*, PS3450, *Financial Instruments*, PS2601, *Foreign Currency Translation* and PS3041, *Portfolio Investments* must be implemented at the same time. *Related Party Disclosures* PS2200 and *Inter-Entity Transactions* PS3420 also require concurrent adoption.

i) Liability for Contaminated Sites

PS3260, *Liability for Contaminated Sites* establishes standards on remediation, recognition and measurement and provides requirements for financial statement presentation and disclosure. The City continues to review policies, procedures and systems to ensure consistent and accurate identification and estimation of liabilities associated with contaminated sites. This standard is applicable for fiscal years beginning on or after April 1, 2014.

ii) Financial Statement Presentation

PS1201, *Financial Statement Presentation*, requires a new statement of re-measurement gains and losses separate from the statement of operations. Included in this new statement are the unrealized gains and losses arising from the re-measurement of financial instruments and items denominated in foreign currencies, as well as the government's proportionate share of other comprehensive income that arises when a government includes the results of government business enterprises and partnerships. This standard is applicable for fiscal years beginning on or after April 1, 2016.

iii) Financial Instruments

PS3450, *Financial Instruments* establishes recognition, measurement, and disclosure requirements for derivative and non-derivative financial instruments. The standard requires fair value measurement of derivatives and equity instruments; all other financial instruments can be measured at cost/amortized cost or fair value at the election of the government. Unrealized gains and losses are presented in a new statement of re-measurement gains and losses. There is the requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities. This standard is applicable for fiscal years beginning on or after April 1, 2016.

iv) Foreign Currency Translation

PS2601, *Foreign Currency Translation*, requires that monetary assets and liabilities denominated in a foreign currency and non-monetary items included in the fair value category, denominated in a foreign currency, be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses are to be presented in the new statement of re-measurement gains and losses. This standard is applicable for fiscal years beginning on or after April 1, 2016.

v) Portfolio Investments

PS3041, *Portfolio Investments* has removed the distinction between temporary and portfolio investments. This section was amended to conform to PS3450, *Financial Instruments*, and now includes pooled investments in its scope. Upon adoption of PS3450 and PS3041, PS3030, *Temporary Investments* will no longer apply. This standard is applicable for fiscal years beginning on or after April 1, 2016.

vi) Related Party Disclosures

PS2200, *Related Party Disclosures* requires sufficient information to be disclosed about the terms and conditions on which transactions between related parties are conducted and the relationship underlying them. The disclosure provides information necessary to assess the effect that the related party relationships have had, or, if not recognized, may have had on the entity's financial position and financial performance. This standard is applicable for fiscal years beginning on or after April 1, 2017.

vii) Inter-Entity Transactions

PS3420, *Inter-Entity Transactions* specifically addresses the reporting of transactions between entities controlled by a government and that comprise the government's reporting entity from both a provider and recipient perspective. This standard is applicable for fiscal years beginning on or after April 1, 2017.

2. CASH AND TEMPORARY INVESTMENTS

	2014	2013
Cash	$ 5,332	$ 3,773
Temporary investments	437,563	208,576
Cheques outstanding in excess of deposits	(398)	(7,540)
	$ 442,497	$ 204,809

Temporary investments consist of bankers' acceptances, treasury bills and commercial paper, at cost, which approximates market value. These investments have effective interest rates of 0.01 to 1.40 per cent (2013 - 0.01 to 1.35 per cent) and generally mature within ninety days. Temporary investments are capable of reasonably prompt liquidation and may be used to manage the City's cash position throughout the year.

The City has access to an unsecured line of credit of up to $100,000 to cover any bank overdrafts arising from day to day cash transactions. No amounts were outstanding on the line of credit overdraft as of December 31, 2014.

3. RECEIVABLES

	2014	2013
Taxes receivable	$ 46,601	$ 49,569
Trade and other receivables	166,371	160,420
Local improvements receivable	90,943	75,214
Government transfers receivable:		
Building Canada Fund	281	10,000
Municipal Sustainability Initiative Program		81,081
Green Transit Incentives Program		32,738
	$ 304,196	$ 409,022

4. INVESTMENTS

	Amortized Cost		Market Value	
	2014	2013	2014	2013
Cash	$ 1,719	$ 871	$ 1,719	$ 871
Amounts payable – net	(1,314)	(1,322)	(1,314)	(1,322)
Fixed income:				
Short-term notes and deposits	6,666	3,846	6,800	3,748
Government and government guaranteed bonds	561,736	481,392	573,373	472,332
Corporate bonds and debentures	218,946	206,649	219,939	203,018
Pooled fund	75,949		80,766	
	863,297	691,887	880,878	679,098
Common and preferred shares:				
Canadian	216,367	213,204	258,061	246,796
International	430,703	353,229	397,873	359,076
Global	70,511	52,847	82,103	58,032
	717,581	619,280	738,037	663,904
Pooled infrastructure fund	22,823	38,175	24,031	37,145
Other investments	2,047	29	2,047	29
	$ 1,606,153	$ 1,348,920	$ 1,645,398	$ 1,379,725

Short-term notes and deposits have effective interest rates of 0.0 to 1.8 per cent (2013 - 0.0 to 1.6 per cent) and mature in less than one year. Government and corporate bonds and debentures have effective interest rates of 1.0 to 5.1 per cent (2013 - 1.0 to 7.1 per cent) with maturity dates from January 14, 2015 to December 1, 2064 (2013 - March 31, 2014 to April 9, 2063). The pooled fixed income fund represents an interest in a fund consisting of corporate bonds, government bonds and inflation-linked bonds.

The market value of short-term notes and deposits includes unrealized gains or losses of $0 (2013 - loss of $76) on futures contracts. See also Note 22 b).

International common and preferred shares ended the year with market value below cost. The City considers this decline in value to be temporary in nature.

The pooled infrastructure fund represents an interest in a globally diversified portfolio of core, yielding, infrastructure investments.

Investments with a cost of $745,839 (2013 - $683,797) and market value of $766,277 (2013 - $708,839) are managed within the Ed Tel Endowment Fund, in accordance with City Bylaw 11713. An annual appropriation from the earnings of the Fund of $24,714 (2013 - $21,461) was withdrawn to support municipal operations, based upon a spending formula set out in the Bylaw. Any amendment to the Bylaw requires advertisement and a public hearing.

5. DEBT RECOVERABLE

Debt recoverable of $51,446 (2013 - $53,336) relates to amounts borrowed by the City and loaned to non-profit organizations in accordance with section 264 of the MGA. Authorized by bylaw, the City has negotiated borrowing agreements with these non-profit organizations. The amounts recoverable have the same general repayment terms as the respective debt with interest accrued on the outstanding debt. Debt will be recovered in annual amounts to the year 2034 with interest rates ranging from 2.5 to 6.0 per cent (2013 - 2.5 to 6.0 per cent).

As at December 31, 2014, all non-profit organizations that the City has a borrowing agreement with are in compliance with the debt repayment terms.

Principal and interest payments recoverable for the next 5 years and thereafter are as follows:

	Principal	Interest	Total
2015	$ 1,766	$ 2,599	$ 4,365
2016	1,858	2,507	4,365
2017	1,955	2,410	4,365
2018	2,056	2,309	4,365
2019	2,114	2,203	4,317
Thereafter	41,697	17,510	59,207
	$ 51,446	$ 29,538	$ 80,984

6. PROMISSORY NOTES PAYABLE

As at December 31, 2014, the City has issued six promissory notes payable with maturity dates from January 8, 2015 to May 27, 2015 with interest rates ranging from 0.97 per cent to 1.01 per cent. The promissory notes are being accounted for at amortized cost, with the amount for the six notes at maturity totalling $100,000 and a discounted value of $99,579.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2014	2013
Trade	$ 404,033	$ 438,509
Developer obligations	164,946	120,517
Payroll and remittances	108,501	112,392
Accrued interest	20,088	17,379
Other	17,048	1,934
	$ 714,616	$ 690,731

8. DEFERRED REVENUE

Deferred revenue is comprised of the funds noted below, the use of which is externally restricted. These funds are recognized as revenue in the period they are used for the purpose specified. Interest earned on contributions is included in the contributions received column. Certain deferred revenues relate to government transfers as further described in Note 18.

The Provincial City Transportation Fund and Alberta Innovation and Science Program include certain government transfers which are used to fund operating costs eligible under the terms of the grant.

	2013	Externally Restricted Contributions Received	Revenue Recognized	2014
Operating:				
Revenue in advance of service performed and other	$ 29,254	$ 26,739	$ 25,516	$ **30,477**
Affordable Housing Municipal Block Funding	21,550	250	2,303	**19,497**
Development permits	13,644	16,734	13,331	**17,047**
	64,448	43,723	41,150	**67,021**
Capital:				
Green Transit Incentives Program		44,497	26,999	**17,498**
Municipal Sustainability Initiative		189,971	183,916	**6,055**
Other	2,145	4,906	2,010	**5,041**
Parks Community Initiatives	2,860	2,959	3,393	**2,426**
North/South Trade Highway grant	7,626	76	6,985	**717**
Alberta Innovation and Science Program	1,541	2,512	4,000	**53**
Provincial City Transportation Fund	22,373	211	22,584	
Major Community Facilities Program	2,455	26	2,481	
	39,000	245,158	252,368	**31,790**
	$ 103,448	$ 288,881	$ 293,518	$ **98,811**

9. EMPLOYEE BENEFIT OBLIGATIONS

	2014	2013
Accrued vacation	$ 68,867	$ 68,196
Post-employment benefits	21,470	20,905
Banked overtime	12,434	12,068
Major medical and dental plans	7,196	6,758
Income replacement plan	5,406	6,425
Health care spending	4,190	4,131
Supplementary Management Retirement Plan	3,917	3,424
Group Life Insurance Plan	2,978	5,341
Other	949	1,015
	$ 127,407	$ 128,263

Post-employment benefits represent the City's cost, including the continuation of benefits for employees on long-term disability, and the City's share of pensioners' eligible medical, dental and other obligations.

In order to measure the post-employment obligation, an actuarial valuation was completed by Aon Hewitt as at December 31, 2014 regarding the continuation of benefit coverage while eligible employees are on long-term disability. The discount rate used in the valuation is 2.5 per cent (2013 - 2.5 per cent). The accrued benefit obligation as at December 31, 2014 is $18,372 (2013 - $17,120). The change is comprised of current service cost of $4,733 (2013 - $3,005), interest cost of $509 (2013 - $524), actuarial gain of $1,056 (2013 - actuarial loss of $463) and benefits paid during the year of $2,934 (2013 - $2,641).

Eligible post-employment medical and dental obligations are estimated based on a five year average of pensioners' claim costs in excess of contributions until the pensioners reach age 65. Eligible medical obligations for 2014 were $1,822 (2013 - $1,967). Eligible dental obligations for 2014 were $266 (2013 - $329). Other post-employment benefits were $1,010 (2013 - $1,488).

The income replacement plan was a disability plan partially funded by employees, which was discontinued in April 1991. The outstanding obligation will be paid to employees in accordance with the terms and conditions of the plan. The obligation is based on an actuarial valuation as at December 31, 2014, completed by Aon Hewitt.

The City sponsors major medical, dental and other employee benefit plans, which are funded through employee and/or employer contributions. Premium contributions, interest earnings, payments for benefit entitlements and administrative costs are applied to each of the respective plans.

A Group Life Insurance Plan is provided by the City, funded equally by employer and employees. The Plan is administered by Great West Life.

All permanent employees are entitled to a health care spending account providing reimbursement up to established limits for eligible expenses not covered under the Supplementary Health Care and Dental Plans. An estimate has been included in 2014 expenses of amounts not used in the current year that are eligible to be carried forward under the terms of the plan.

A Supplementary Management Retirement Plan for designated management employees was implemented effective for service beginning January 1, 2003. The accrued benefit liability for total current and past service costs of $3,917 (2013 - $3,424) has been based upon an actuarial valuation completed by Aon Hewitt as at December 31, 2014. Unamortized net losses of $1,680 (2013 - $3,138) will be amortized over the 7 year average remaining service period of active plan participants.

Other employee benefit obligations for 2014 include $357 (2013 - $306) for the Fire Chief and Deputy Fire Chiefs' Supplementary Pension Plan liability (Note 21c).

10. LANDFILL CLOSURE AND POST-CLOSURE CARE

Under Provincial legislation the City has a liability for closure and post-closure care costs for its landfill sites. The Clover Bar landfill site reached full capacity and was closed August 2009. The period for post-closure care is 25 years. The costs to maintain a closed solid waste landfill site are based on estimated future expenses in current dollars by applying a discount rate at the City's average long-term borrowing rate of 4.1 per cent (2013 - 4.2 per cent) and inflation rate of 3.0 per cent (2013 - 2.25 per cent). An amount of $16,964 (2013 - $17,040) has been accrued. $1,639 was expensed to reflect cash outlays for post-closure care. The liability was increased by $1,563 to reflect revised post-closure care cost estimates.

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of groundwater and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events using the best information available to management. Future events, such as changes to regulatory requirements, may result in significant changes to the estimated total expenses and will be recognized prospectively, as a change in estimate, when applicable.

The City entered into a contract with Beaver Regional Waste Management Services Commission for the provision of landfill capacity effective February 26, 2007 through February 26, 2027, with a further option for the City to extend the term for ten additional years. Under the terms of the agreement the City pays the Commission tipping fees per tonne of waste delivered to the site and has committed to send a minimum of 70,000 tonnes per year. The City continues to exceed the minimum annual requirement.

11. LONG-TERM DEBT

a) Debt payable

Debt payable includes the following amounts:

	2014	2013
Debentures	$ 3,000,909	$ 2,608,388
Mortgages	15,026	18,341
	3,015,935	2,626,729
Less debt attributed to and secured by offsetting amounts receivable from:		
EPCOR Utilities Inc.	120,211	134,308
Sinking Fund assets	72,615	66,234
	$ 2,823,109	$ 2,426,187
Long-term debt comprises:		
Self-liquidating debt	$ 855,050	$ 813,576
Tax-supported debt	1,968,059	1,612,611
	$ 2,823,109	$ 2,426,187

The amount receivable from EPCOR relates to debentures issued in the name of the City on behalf of EPCOR. The repayment terms are the same as the respective debt with the exception of debt relating to the Gold Bar Wastewater Treatment Facility which is based on a blended semi-annual repayment schedule.

Outstanding debentures of $100,000 are secured by Sinking Fund assets with a carrying value of $72,615 (market value - $75,380) and required earnings of 5.0 per cent (2013 - 5.0 per cent). These assets are comprised of short-term notes and deposits, government and government guaranteed bonds and corporate bonds and debentures. Government and government guaranteed bonds include debentures of the City of Edmonton with a carrying value of $13,749 (market value - $14,840).

Short-term notes and deposits within the Sinking Fund have an effective interest rate of 0.0 to 1.6 per cent (2013 - 0.0 to 1.6 per cent) and mature in less than one year. Government and corporate bonds and debentures have effective interest rates of 1.2 to 3.3 per cent (2013 - 1.2 to 4.2 per cent) with maturity dates from May 22, 2018 to October 1, 2019 (2013 - November 24, 2017 to October 1, 2019).

Funds from the Federal Gas Tax Fund are directed to cover principal and interest payments for tax-supported debt relating to the South LRT. Outstanding principal for the South LRT debt at December 31, 2014 is $446,147 (2013 - $468,815).

Principal and interest payments on long-term debt for the next five years and thereafter are as follows:

Principal:

	Self-Liquidating	Tax-Supported	Gross Payment	Less: EPCOR Receivable	Less: Sinking Fund Principal	Net Payment
2015	$ 57,877	$ 138,240	$ 196,117	$ 7,554	$ 3,024	$ 185,539
2016	58,606	81,534	140,140	7,584	3,024	129,532
2017	58,380	144,971	203,351	7,426	3,024	192,901
2018	56,710	87,663	144,373	7,172	3,025	134,176
2019	49,932	88,805	138,737	6,691		132,046
Thereafter	678,468	1,426,846	2,105,314	56,399		2,048,915
	$ 959,973	$ 1,968,059	$ 2,928,032	$ 92,826	$ 12,097	$ 2,823,109

Interest:

	Self-Liquidating	Tax-Supported	Gross Payment	Less: EPCOR Receivable	Net Payment
2015	$ 50,440	$ 77,085	$ 127,525	$ 13,636	$ 113,889
2016	47,939	72,048	119,987	13,221	106,766
2017	45,398	68,609	114,007	12,801	101,206
2018	42,845	63,926	106,771	12,381	94,390
2019	31,855	60,197	92,052	3,468	88,584
Thereafter	223,855	493,823	717,678	15,911	701,767
	$ 442,332	$ 835,688	$ 1,278,020	$ 71,418	$ 1,206,602

Total Payments:

	Self-Liquidating	Tax-Supported	Gross Payment	Less: EPCOR Receivable	Less: Sinking Fund Principal	Net Payment
2015	$ 108,317	$ 215,325	$ 323,642	$ 21,190	$ 3,024	$ 299,428
2016	106,545	153,582	260,127	20,805	3,024	236,298
2017	103,778	213,580	317,358	20,227	3,024	294,107
2018	99,555	151,589	251,144	19,553	3,025	228,566
2019	81,787	149,002	230,789	10,159		220,630
Thereafter	902,323	1,920,669	2,822,992	72,310		2,750,682
	$ 1,402,305	$ 2,803,747	$ 4,206,052	$ 164,244	$ 12,097	$ 4,029,711

Payments of offsetting EPCOR receivable and Sinking Fund principal amounts relate to self-liquidating debt. The above amounts do not include annual Sinking Fund required earnings.

b) Debt and debt service limits

A Regulation under section 271 of the MGA requires that debt, debt limit and the debt service (principal and interest payments) limit be disclosed. The debt limit, as defined in the Regulation, is two times consolidated revenue net of capital government transfers and contributed tangible capital assets. As allowed under the Regulation, the revenue from the EPCOR subsidiary operations are eliminated in calculating the debt limits. Consistently, debt and debt service costs relating to EPCOR are also eliminated from the calculation. The debt service limit is calculated at 0.35 times of the same revenue. Incurring debt beyond these limits requires approval by the Provincial Minister of Municipal Affairs.

The City's position with respect to the debt and debt service limits is as follows:

	2014	2013
Total debt limit	$ 5,154,292	$ 4,620,040
Total debt per Regulation	2,823,109	2,426,187
Percentage used (%)	54.77	52.51
Total debt service limit per Regulation	$ 902,001	$ 808,507
Total debt service	379,428	255,778
Percentage used (%)	42.07	31.64

c) Maturities and interest rates

Existing long-term debt matures in annual amounts to the year 2049 and debenture interest is payable at rates ranging from 1.60 to 8.50 per cent (2013 - 1.60 to 8.50 per cent). The average annual interest rate is 4.08 per cent for 2014 (2013 - 4.20 per cent).

d) Interest on long-term debt

	2014	2013
Self-liquidating debt	$ 50,164	$ 51,547
Tax-supported debt	74,041	62,217
	124,205	113,764
Less payments on offsetting amounts receivable	13,959	16,465
Long-term debt interest included in interest and bank charges	$ 110,246	$ 97,299

12. TANGIBLE CAPITAL ASSETS

	Net Book Value 2014	2013
Land	$ 1,326,455	$ 1,289,906
Land improvements	576,063	450,999
Buildings	1,110,745	939,518
Machinery and equipment	332,724	288,894
Vehicles	467,322	538,150
Engineered structures:		
Roadway system	3,229,633	2,930,454
Drainage system	2,326,104	2,215,314
Light rail transit	540,717	528,774
Waste	53,343	55,466
Bus system	83,779	82,086
Other	14,993	13,564
	10,061,878	9,333,125
Assets under construction	1,567,982	1,670,378
	$ 11,629,860	$ 11,003,503

For additional information, see the Consolidated Schedule of Tangible Capital Assets (Schedule 1).

A total of $177,478 in land, land improvements, and engineered structures were contributed to the City in 2014 (2013 - $219,599), represented at their fair value at the time received.

13. OTHER ASSETS

	2014	2013
Prepaid expenses – operational	$ 13,958	$ 10,460
Benefit plan asset	6,071	7,349
	$ 20,029	$ 17,809

14. EQUITY IN TANGIBLE CAPITAL ASSETS

	2014	2013
Tangible capital assets (Schedule 1)	$ 17,976,226	$ 16,974,846
Accumulated amortization (Schedule 1)	(6,346,366)	(5,971,343)
Long-term debt (Note 11)	(2,823,109)	(2,426,187)
Debt recoverable (Note 5)	51,446	53,336
	$ 8,858,197	$ 8,630,652

15. RESERVES FOR FUTURE EXPENDITURES

	2014	2013
General Government:		
Local improvement	$ 97,386	$ 82,101
Financial stabilization	94,772	106,577
Current planning	25,394	25,058
Financial stabilization – appropriated	23,222	18,971
Affordable housing	21,750	14,628
LRT	20,299	17,407
Parkland	18,891	11,604
Traffic safety and automated enforcement	18,565	
Funds in Lieu - residential	16,414	10,645
Enterprise portfolio/Commonwealth Stadium	10,821	6,691
Natural areas	9,280	8,631
Tax-supported debt	6,727	6,818
Perpetual care	5,704	6,290
Tree management	3,413	3,122
Heritage resources	3,226	3,544
Self insurance – vehicles	2,500	2,500
Development incentive	1,716	2,035
Façade & storefront improvements	1,701	1,712
Other	1,216	2,328
Neighbourhood renewal	803	402
Industrial servicing fund	(763)	(280)
Community revitalization levy - Downtown	(3,603)	
Community revitalization levy - Belvedere	(5,396)	(3,806)
Interim financing	(6,688)	
Community revitalization levy – Quarters	(8,961)	(5,384)
	358,389	321,594
Fleet Services – vehicle replacement	24,937	16,036
Edmonton Public Library Board	1,712	1,247
Edmonton Economic Development Corporation	1,414	1,529
Fort Edmonton Management Company	1,355	405
Non-Profit Housing Corporation	1,305	1,099
	$ 389,112	$ 341,910

The City invests in public infrastructure within a community revitalization levy area, which is intended to spur new development. The property tax revenue from the new development, along with any revenue from property sales or a lift in the value of existing property within the area, is directed to paying the costs of the infrastructure, including financing costs, for up to twenty years. Timing differences between incurring costs and the collection of tax revenues have created deficit balances in the community revitalization levy reserves at the end of 2014. The existing shortfalls will be recovered by future community revitalization levy tax revenues.

The Traffic Safety and Automated Enforcement reserve was approved in 2014 to provide for increased transparency and to accumulate the annual program surplus or deficit.

The Interim Financing reserve was approved in 2014 to accommodate timing differences between debt servicing incurred on debt used to advance projects and future guaranteed non-property tax revenues to fund those projects.

The Industrial Servicing Fund reserve is used to provide rebates to developers that undertake construction of certain cost shareable infrastructure. The source of funding for the rebates is 50 per cent of the incremental property tax generated from the related new development. Timing differences between the costs of development and the collection of incremental property tax revenues have created a deficit balance, to be funded by future incremental property tax revenues.

16. ACCUMULATED SURPLUS

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets.

	2014	2013
General government operations	$ 9,946	$ 9,617
Excess earnings on Sinking Fund	3,681	3,899
Restricted surplus:		
Pension and benefits	16,920	16,778
Drainage Services Utility	20,798	33,612
Land Enterprise	83,978	135,538
Fleet Services	(23,308)	(16,858)
Waste Management	(12,010)	(11,836)
Ed Tel Endowment Fund	745,839	683,797
EPCOR Utilities Inc.	2,340,366	2,262,223
Non-Profit Housing Corporation	1,433	1,364
Edmonton Public Library Board	1,834	1,315
Edmonton Economic Development Corporation	12,571	6,718
Vehicle for Hire	859	659
Edmonton Combative Sports Commission	(124)	(45)
Fort Edmonton Management Company	441	1,706
Reserves for future expenditures (Note 15)	389,112	341,910
Equity in tangible capital assets (Note 14)	8,858,197	8,630,652
Advances for construction	294,866	58,344
	$ 12,745,399	$ 12,159,393

17. NET TAXES AVAILABLE FOR MUNICIPAL PURPOSES

	2014	2013
Taxes:		
Property taxes	$ 1,589,972	$ 1,465,488
Special tax – alley lighting	1,037	1,046
Revenue in lieu of taxes	47,414	43,766
Other	9,050	7,815
	1,647,473	1,518,115
Less taxes on behalf of:		
Education	406,400	399,047
Business revitalization zones	3,377	3,159
	409,777	402,206
Net taxes available for municipal purposes	$ 1,237,696	$ 1,115,909

The City is required to levy taxes under section 353 of the MGA towards payment of education requisitions. Education tax revenues are recorded at the amounts levied. Actual taxes levied over/under the amount requisitioned are recorded as an adjustment to trade and other receivables.

Local improvement levies are not included in net taxes available for municipal purposes and are reflected separately on the Consolidated Statement of Operations and Accumulated Surplus.

Property taxes include the incremental tax revenue collected in the City's community revitalization levy (CRL) areas. Provincial education taxes collected on incremental tax revenue within the CRL are retained to offset development costs in the related area. As at December 31, 2014 the City has two active CRL areas, the Quarters and Belvedere. In 2014, $1,606 (2013 - $601) incremental tax levy was collected in the Quarters CRL, including $262 (2013 - $82) in education taxes. The Belvedere CRL collected $464 (2013 - $182) in incremental tax levy during the year, including $85 (2013 - $29) in education taxes.

18. GOVERNMENT TRANSFERS

	2014	2013
Operating transfers:		
Federal	$ 44,216	$ 44,646
Provincial	73,275	74,735
	117,491	119,381
Capital transfers:		
Federal	378	35,119
Provincial	224,221	345,841
	224,599	380,960
Total Government Transfers	$ 342,090	$ 500,341

In 2011, the Minister of Transportation approved initial projects under the Green Transit Incentives Program (Green TRIP) to support the provincial public transportation initiatives that contribute towards environmental benefits. In 2014, the City received $76,800 (2013 - $75,000), earned interest of $392 (2013 - $0) and temporary rental income of $43 (2013 - $37) and recorded $26,999 (2013 - $88,742) as capital government transfers. Deferred revenue of $17,498 (2013 - as a receivable of $32,738) has been recorded.

In 2011, an agreement through the Building Canada Fund was signed for the North Light Rail Transit (Metro Line) expansion. In 2014, the City received $9,719 (2013 - $41,996) and recorded $0 (2013 - $34,814) as capital government transfers. A receivable has been recorded for $281 (2013- $10,000).

The Provincial Government has provided grants under a Major Community Facilities Program (MCFP) for the Terwillegar Community Recreational Centre, Muttart Conservatory, North Branch Library and Fred Broadstock Pool projects. In 2014, $2,481 (2013 - $1,050) has been recognized as revenue including interest of $26 (2013 - $42). $0 (2013 - $2,455) remains as deferred revenue at the end of the year.

In 2008, the Province introduced a grant for Affordable Housing Program Municipal Block Funding. The grant is administered through the City's Cornerstone program to assist qualified applicants to purchase or renovate existing rental accommodation units, to construct new units and to develop secondary suites and transitional housing. In 2014, the City recognized operating government transfers of $2,303 (2013 - $2,532). $19,497 (2013 - $21,550) has been recognized as deferred revenue including interest of $250 (2013 - $266).

In 2007, the Provincial government introduced the Municipal Sustainability Initiative (MSI) program to provide municipalities with sustainable funding. The City received $270,928 in 2014 (2013 - $170,430) and recognized $182,093 (2013 - $172,531) including interest of $124 (2013 - $42) as capital government transfers and $1,823 (2013 - $6,872) as operating government transfers. $6,055 has been recorded as deferred revenue (2013 - as a receivable of $81,081).

On March 6, 2015, the Province announced additional 2014 MSI funding of $398,900 for all recipients. The City's share of this additional funding attributable to 2014 is $80,768. These additional funds will be disbursed to the City in the summer of 2015 along with the 2015 budget allocations.

The Provincial City Transportation Fund, under the Basic Municipal Transportation Grant (BMTG) program, provides annual funding for developing and implementing safe, effective and integrated transportation systems and facilities. In 2014, the City received funding of $0 (2013 - $119,458) and has recognized $5,568 (2013 - $81,129) as capital government transfers and $17,016 (2013 - $12,950) as operating government transfers, including reallocation of costs from the North/South Trade Highway grant of $0 (2013 - $80), and interest of $211 (2013 - $188). $0 has been recorded as deferred revenue (2013 - $22,373).

As part of the 2014 Provincial Budget, it was announced that the BMTG program would be consolidated with the Municipal Sustainability Initiative program.

A grant of up to $29,000 has been approved under the Alberta Innovation and Science program to provide funding for a solid waste gasification demonstration facility. In 2014, the City received $2,500 (2013 - $0), and $4,000 (2013 - $3,700) has been recognized as government transfers for operations. $53 (2013 - $1,541) including interest of $12 (2013 - $41), has been reported as deferred revenue.

Under the Federal Gas Tax Fund, the City received $44,427 (2013 - $43,605) as operating government transfers used to fund debt servicing costs related to the South LRT.

In 2014, the City received a grant of $16,335 (2013 - $16,335) from the Province for Family and Community Support Services funding. The full amount was recognized as operating revenue in 2014.

The Provincial Government approved funding through the Alberta Disaster Recovery Program for flood damage in 2013. The City received funding of $0 (2013 - $4,380) for flood relief, and recognized $95 (2013 - $2,428) as operating revenue and $93 (2013 - $981) as capital revenue. $783 (2013 - $971) has been recorded as deferred revenue.

19. EXECUTIVE SALARIES AND BENEFITS

The following executive salaries and benefits are disclosed as required under the Supplementary Accounting Principles and Standards Regulation (AR 313/2000) of the MGA.

	Salaries	Benefits	2014	2013
Mayor:				
Iveson	$ 169	$ 40	$ 209	$ 26
Mandel		57	57	229
	169	97	266	255
Councillors:				
Anderson	96	21	117	110
Batty		45	45	114
Caterina	96	22	118	112
Diotte		15	15	94
Esslinger	96	23	119	15
Gibbons	96	21	117	111
Henderson	96	22	118	110
Iveson				94
Knack	96	24	120	15
Krushell		47	47	95
Leibovici		62	62	95
Loken	96	23	119	112
McCullogh (formerly Sloan)		35	35	108
McKeen	96	21	117	15
Nickel	96	20	116	15
Oshry	96	20	116	15
Sohi	96	23	119	112
Walters	96	23	119	15
	1,152	467	1,619	1,357
Chief Administrative Officer (City Manager)	382	34	416	395
City Assessor	209	32	241	234
	$ 1,912	$ 630	$ 2,542	$ 2,241

Executive salaries and benefits are included in corporate administration expenses in the Consolidated Statement of Operations and Accumulated Surplus.

Benefits include the City's share of all benefits and contributions made on behalf of executives, including retirement contributions, Canada Pension Plan, Employment Insurance, dental coverage, medical coverage, group life insurance, short-term disability insurance and transportation allowances.

The City of Edmonton Members of Council are provided with a transition allowance, upon the conclusion of their service, equal to three weeks salary for each year served, to a maximum of 36 weeks.

20. SUBSIDIARY OPERATIONS – EPCOR

EPCOR, established by City Council under City Bylaw 11071, is wholly owned by the City. EPCOR builds, owns and operates electrical transmission and distribution networks, water and wastewater treatment facilities and infrastructure, and provides electricity and water services and products to residential and commercial customers.

The following table provides condensed supplementary financial information for EPCOR. Consolidated financial statements are contained within EPCOR's annual report and can be obtained at their website or by contacting the corporate offices of EPCOR.

	2014	2013
Financial position:		
Current assets	$ 383,467	$ 503,222
Capital assets	4,112,138	3,775,913
Investment in Capital Power	393,168	385,261
Other assets	848,790	782,274
Total assets	5,737,563	5,446,670
Current liabilities (including current portion of long-term debt of $116,902 (2013 - $14,563))	453,601	340,501
Non-current liabilities	980,615	886,739
Long-term debt	1,962,981	1,957,207
Total liabilities	3,397,197	3,184,447
Accumulated other comprehensive income	41,527	13,212
Share capital contribution	23,795	23,792
Retained earnings	2,275,044	2,225,219
Shareholder's equity	$ 2,340,366	$ 2,262,223
Results of operations:		
Revenues	$ 1,927,226	$ 1,955,445
Equity share of income – Capital Power	15,115	65,842
Expenses	(1,759,492)	(1,802,832)
Gain on dilution of equity interest in Capital Power	8,000	
Impairment of investment in Capital Power		(42,956)
Net income	$ 190,849	$ 175,499
Changes in shareholder's equity:		
Shareholder's equity - opening	$ 2,262,223	$ 2,232,704
Adjustments upon IAS 19 adoption		(12,060)
Adjusted opening shareholder's equity	2,262,223	2,220,644
Net Income	190,849	175,499
Other comprehensive income	28,315	7,101
Dividend to shareholder (City of Edmonton)	(141,021)	(141,021)
Shareholder's equity - ending	$ 2,340,366	$ 2,262,223

In the regulatory environment that EPCOR operates in, estimates are often required to be recorded until values are finalized and adjusted pursuant to subsequent regulatory decisions, or proceedings. Adjustments to previous estimates, which may be material, will be recorded in the period they become known.

In 2009, through a series of transactions, EPCOR sold substantially all of its power generation assets net of certain liabilities to Capital Power. Through an equity investment in Capital Power, a 72 per cent interest in that business was retained. Dispositions and stock dilution have subsequently decreased EPCOR's interest in Capital Power to 18 per cent (2013 - 19 per cent). EPCOR applies the equity method to account for its investment in Capital Power.

In 2014, it was determined that the carrying amount of EPCOR's investment in exchangeable limited partnership units of Capital Power L.P. did not exceed the recoverable amount of the investment, resulting in no impairment charge (2013 - $42,956).

Principal payments on EPCOR's long-term debt for the next five years and thereafter, including Sinking Fund payments (Note 11) and deferred financing charges, are as follows:

2015	$ 14,157
2016	144,488
2017	14,686
2018	412,566
2019	6,739
Thereafter	1,397,024
	$ 1,989,660

EPCOR has issued letters of credit for $82,132 (2013 - $100,122) to meet the credit agreements of energy market participants, as conditions of certain agreements or to satisfy legislated reclamation requirements.

The following summarizes the City's related party transactions with EPCOR for the year:

	2014	2013
Dividend paid to the City	$ 141,021	$ 141,021
Franchise fees and revenue tax to the City	74,411	71,191
Financing expenses paid or payable to the City	10,794	12,550
Sales of administrative and construction services from the City	9,127	12,982
Property taxes and other taxes to the City	13,291	12,808
Costs of capital construction paid or payable to the City	6,200	2,596
Power and water purchased by the City	3,638	3,101
Other services purchased by the City	80,583	80,352

All transactions are in the normal course of operations, and are recorded at the exchange value based on normal commercial rates, or as agreed to by the parties.

Within current assets and other assets is $35,548 (2013 - $41,835) due from the City. Current liabilities of $100 (2013 - $6,500) related to transfer fees payable to the City with respect to the 2009 transfer of the Gold Bar Wastewater Treatment Facility from the City to EPCOR. EPCOR's current liabilities include $9,884 (2013 - $7,776) in trade and other payables due to the City. The City financial statements include the net balance payable to EPCOR within the Liabilities – Accounts payable and accrued liabilities. Other related party balances include deferred revenues of $24,604 (2013 - $25,306), relating to capital contributions received for capital projects and rebates for maintenance, repair and construction services, including $15,122 (2013 - $16,050) in contributed capital for the North Light Rail Transit (Metro Line).

Long-term debt reported by EPCOR includes amounts of $118,812 (2013 - $133,509) issued in the name of the City. Offsetting short and long-term receivables from EPCOR of $120,211 (2013 - $134,308), presented on a PSAS basis, have been applied to reduce the consolidated long-term debt (Note 11).

21. PENSION AND LONG-TERM DISABILITY PLANS

a) Local Authorities Pension Plan

All employees of the City, with the exception of police officers, are members of the Local Authorities Pension Plan (LAPP), which is one of the multi-employer plans covered by the Public Sector Pension Plans Act of Alberta.

The City is required to make current service contributions to the Plan of 11.39 per cent of pensionable payroll up to the yearly maximum pensionable earnings (YMPE) and 15.84 per cent thereafter. Employees of the City are required to make current service contributions of 10.39 per cent of pensionable salary up to YMPE and 14.84 per cent thereafter. Contributions for current service are recorded as expenses in the year in which they become due.

Total current service contributions by the City to the LAPP in 2014 were $96,787 (2013 - $81,530) and by the employees to the LAPP in 2014 were $88,648 (2013 - $73,548).

The LAPP reported a deficiency for the overall plan as at December 31, 2013 of $4,861,516. Information as at December 31, 2014 was not available at the time of preparing these financial statements.

b) Special Forces Pension Plan

Police officers employed by the City are participants in the multi-employer Special Forces Pension Plan (SFPP). The City is required to make current service contributions to the Plan of 10.32 per cent of pensionable payroll. In addition, past service contributions to the Plan of 0.75 per cent of pensionable payroll are required to eliminate an unfunded liability related to service prior to 1992, on or before December 31, 2036. Additional past service contributions of 3.48 per cent of pensionable payroll were implemented July 1, 2010 to eliminate an unfunded liability related to post-1991 service amortized over 13.5 years. Participants of the SFPP are required to make current service contributions of 9.22 per cent of pensionable salary. As well, past service contributions of 0.75 per cent and 3.48 per cent of pensionable salary are required, consistent with those described for the City. Contributions for current and past service are recorded as expenses in the year in which they become due.

Total current and past service contributions by the City to the SFPP in 2014 were $23,935 (2013 - $23,481) and by the employees to the SFPP in 2014 were $22,125 (2013 - $21,705).

The SFPP reported a deficiency for the plan as at December 31, 2013 of $220,470 comprised of $207,714 for pre-1992 and $12,756 relating to post-1991. More recent information was not available at the time of preparing these financial statements.

c) City-Sponsored Pension Plans

The following summarizes plans sponsored by the City. Assets related to the plans are held in trust as disclosed in Note 24.

i) Annuity Plan
The multi-employer Annuity Fund provided lifetime benefits to retired members and beneficiaries only. As of December 31, 2014 there are no longer any beneficiaries of this plan and the fund is closed to new members. The plan is being wound up and surplus funds attributable to the City are not yet known. The surplus fund position is being held in trust by the City until the assets are distributed.

Total benefits paid during the year were $6 (2013 - $5).

ii) Police Supplementary Pension Plan
The Police Supplementary Pension Plan (PSPP) provides benefits supplementary to the LAPP for 17 pensioners and beneficiaries. There are no active police officers enrolled in the PSPP and no further contributions are expected to be made to the Fund.

Total benefits paid during the year were $55 (2013 - $83).

iii) Fire Fighters' Supplementary Pension Plan
The Fire Fighters' Supplementary Pension Plan (FFSPP) is a defined benefit pension plan covering members of the City Fire Fighters' Union. Pensions are payable to retired fire fighters and surviving spouses of deceased fire fighters. This pension is reduced by the pension payable to the member under the LAPP.

Total benefits paid during the year were $7,040 (2013 - $6,896). Employer contributions for the year were $4,191 (2013 - $3,304) and employee contributions for the year were $3,543 (2013 - $2,871).

iv) Fire Chief and Deputy Fire Chiefs' Supplementary Pension Plan

The City of Edmonton Fire Chief and Deputy Fire Chiefs' Supplementary Pension Plan (Fire Chief) is a defined benefit pension plan covering employees in the positions of fire chief and deputy fire chiefs. Contributions are made by plan members and by the City. The pension is reduced by the pension payable to the member under the LAPP.

Total benefits paid during the year were $197 (2013 - $218). Employer contributions were $80 (2013 - $78) and employee contributions for the year were $11 (2013 - $9).

Actuarial valuations for Annuity, Police Supplementary, Fire Fighters' Supplementary, and Fire Chief and Deputy Fire Chief's Supplementary Pension Plans were completed by Aon Hewitt as at December 31, 2014. Each 2014 actuarial valuation was based upon a number of assumptions about future events, which reflect management's best estimates. The expected inflation rate is 2.25 per cent (2013 - 2.25 per cent). The discount rate used to determine the accrued benefit obligation is 6.0 per cent (2013 - 6.0 per cent). The expected rate of return on plan assets is 6.0 per cent (2013 - 6.0 per cent). The expected salary increase is 3.5 per cent (2013 - 3.5 per cent), plus a merit and promotion increase in the FFSPP (which varies by service). The Fire Chief Plan assumes a 0.5 per cent merit and promotion increase per annum for those with greater than 5 years of service.

Each pension fund's assets are valued at fair value. The fair value actual rate of return is 12.2 per cent (2013 - 18.9 per cent).

The following table sets out the results for each of the pension plans:

	Annuity	PSPP	FFSPP	Fire Chief	2014	2013
Fair value of assets	$ 13,276	$ 10,187	$ 186,211	$ 2,954	$ 212,628	$ 190,204
Accrued benefit obligation		321	164,345	3,262	167,928	162,210
Funded status – surplus (deficit)	13,276	9,866	21,866	(308)	44,700	27,994
Unamortized net actuarial loss (gain)			(1,491)	(49)	(1,540)	10,015
Accrued benefit asset (liability)	13,276	9,866	20,375	(357)	43,160	38,009
Valuation allowance	13,276	9,866			23,142	20,616
Employee portion of accrued benefit asset			9,169		9,169	7,965
Net fund asset (liability)	$	$	$ 11,206	$ (357)	$ 10,849	$ 9,428

The net actuarial loss is amortized on a straight line basis over the expected average remaining service life (EARSL) of the Fire Fighters' plan of 16.4 years (2013 - 16.3 years) and of the Fire Chief Plan of 3.5 years (2013 - 3.3 years). The accrued benefit asset for the FFSPP is shared 55 per cent by the City as employer and 45 per cent by employees. The net employer share of the fund asset balance for the FFSPP is included in Trade and other receivables. The net fund liability for the Fire Chief Plan is included within Employee Benefit Obligations - Other (Note 9).

The following table sets out the benefit plan related expense for each of the pension plans:

	Annuity	PSPP	FFSPP	Fire Chief	2014	2013
Current service cost	$	$	$ 4,998	$ 22	$ 5,020	$ 5,425
Amortization of actuarial loss (gain)	(706)	(584)	614	93	(583)	(376)
Increase in valuation allowance	1,417	1,109			2,526	3,311
Less: employee contributions			(3,543)	(11)	(3,554)	(2,880)
Benefit plan expense for the year	711	525	2,069	104	3,409	5,480
Interest cost on accrued benefit obligation	1	23	9,451	190	9,665	9,187
Expected return on plan assets	(712)	(548)	(10,005)	(163)	(11,428)	(9,681)
Benefit plan interest expense (income)	(711)	(525)	(554)	27	(1,763)	(494)
Total benefit plan related expense	$	$	$ 1,515	$ 131	$ 1,646	$ 4,986

d) Long-term Disability Plan

The City administers the Long-Term Disability Plan. The Long-term Disability Plan is available to permanent City employees to provide protection against loss of income. The employee pays 100 per cent of the premium for the Plan.

An actuarial valuation of the Plan was completed by Aon Hewitt as at December 31, 2014. The Plan's assets are valued at fair value. See also Note 24.

	2014	2013
Fair value of assets	$ 120,410	$ 111,036
Less: Accrued benefit obligation	64,642	51,177
Net assets	$ 55,768	$ 59,859

22. COMMITMENTS

a) Lease Commitments

The City has entered into a number of operating lease agreements, mainly for facilities and equipment. Lease commitments over the next five years and thereafter are as follows:

2015	$	19,446
2016		12,994
2017		10,165
2018		8,254
2019		5,950
Thereafter		23,436
	$	80,245

b) Contractual Obligations

To mitigate the risk of fluctuation in fuel prices the City has entered into swap transactions to purchase 21.0 million litres of heating oil for monthly periods from January 2015 through December 2015. The contracts have settlement dates ranging from February 6, 2015 through January 8, 2016 at prices from $0.59 to $0.85 per litre, or $16,175.

The City has not entered into any cash and security futures contracts as of December 31, 2014 resulting in no unrealized gains or losses for 2014 (2013 - loss of $76). Gains or losses relating to futures are reported within the market value of short-term notes and deposits in Note 4. The contracts in 2013 had a term of maturity within one year.

23. CONTINGENT LIABILITIES

a) The City is defendant in various lawsuits as at December 31, 2014. Where the occurrence of future events is considered likely to result in a loss with respect to an existing condition, and the amount of loss can be reasonably estimated, amounts have been included within accrued liabilities. Where the resulting losses, if any, cannot be determined or the occurrence of future events is unknown, amounts have not been recorded, and the City's Administration believes there will be no material adverse effect on the financial position of the City.

b) The City continues to review environmental objectives and liabilities for its activities and properties as well as any potential reclamation obligations. During 2014, significant progress was made in pro-actively inventorying properties that the City is responsible for to identify potential remediation obligations. All known and measureable liabilities have been recognized within accounts payable and accrued liabilities. The amount of any additional obligations has not yet been determined.

24. TRUST ASSETS UNDER ADMINISTRATION

The City administers Pension Fund, Long-term Disability Plan and other assets in trust on behalf of third parties. Related trust assets not owned by the City have been excluded from the reporting entity.

The City's share of the FFSPP asset balance and the Fire Chief Plan net fund liability has been recognized in the financial statements. See also Note 21 c).

	2013	Deposits (Withdrawals)	Earnings (Losses)	2014
Pension Funds Net Assets:				
Annuity Fund	$ 11,872	$ (37)	$ 1,441	$ 13,276
Police Supplementary Pension Fund	9,160	(78)	1,105	10,187
Fire Fighters' Supplementary Pension Fund	166,409	278	19,524	186,211
Fire Chief and Deputy Fire Chiefs' Supplementary Pension Fund	2,763	(108)	299	2,954
	190,204	55	22,369	212,628
Long-term Disability Plan	111,036	(10,052)	19,426	120,410
Other	716	105	1	822
	$ 301,956	$ (9,892)	$ 41,796	$ 333,860

Pension Fund and Long-term Disability Plan assets are administered by the City in conjunction with the City of Edmonton Investment Committee. Assets consist of government, government guaranteed and corporate bonds valued at market quotations from Canadian and global investment dealers, along with Canadian, international and global common and preferred shares valued at the closing price on the stock exchange where listed. Other investments within the Pension Funds and Long-term Disability Plan include global infrastructure assets.

25. SEGMENT DISCLOSURES

The Consolidated Schedule of Segment Disclosures – Schedule 2 has been prepared in accordance with PS2700 *Segment Disclosures*. Segment disclosures are intended to enable users to better understand the government reporting entity as well as the major expense and revenue activities of the City. For each reported segment, revenues and expenses represent amounts directly attributable to the segment.

The segments have been selected based on a presentation similar to that adopted for the municipal financial planning and budget processes. Segments include:

a) **Tax-supported programs** directly supported by property taxes, including the tax allocation provided directly to other operations, as follows:
   - **Transportation Services** includes bus, light rail transit, roadway and parking services.
   - **Protective Services** is comprised of police, traffic safety, bylaw enforcement and fire rescue.
   - **Community Services** includes parks and recreation, community and family services, planning and public housing. Also included are Edmonton Public Library and Edmonton Economic Development Corporation, which are managed by separate Boards.
   - **Other Tax-supported** consists of corporate administration, general municipal services, tax appeals and allowances and excess (deficiency) in Sinking Fund earnings. Revenues that are not directly attributed to another tax-supported segment are also recorded within this other tax-supported segment.

b) **Waste Management** delivers customer-focused services consisting of collection, processing and disposal of residential and non-residential waste and recyclables, as well as community relation services in support of waste management programs. Also included is Waste RE-solutions Edmonton.

c) **Drainage Services** includes the Sanitary Drainage Utility (collection and transmission of wastewater) as well as the Stormwater Drainage Utility (collection and transmission of storm water) and design and construction activities. The utilities operate under a full cost recovery model to support operating requirements and address long-term capital requirements.

d) **Fleet Services** provides vehicle and equipment procurement, maintenance, fleet engineering, fabrication services, fuel management and fleet administration to other City departments and to EPCOR.

e) **Land Enterprise** is comprised of land development and municipal use property activities. Land development includes the City's role as a land developer in the areas of acquisition, development and land sales activities. Municipal use property involves the acquisition of land for municipal purposes and disposal of land deemed surplus to municipal needs. The Land Enterprise is intended to be operated on a self-sustaining basis.

f) **EPCOR** is a wholly owned subsidiary of the City of Edmonton, accounted for on a modified equity basis as a government business enterprise. Note 20 to these financial statements provides condensed financial information for EPCOR.

g) **Other** includes the Ed Tel Endowment Fund, the Non-Profit Housing Corporation, Vehicle for Hire, the Combative Sports Commission and the Fort Edmonton Management Company. The Ed Tel Endowment Fund is an investment fund created in 1995 with the proceeds from the sale of the municipal telephone company. The proceeds from the sale were invested and provide an annual dividend to support tax-supported programs based on conditions set out in Bylaw 11713. Non-Profit Housing was established by the City in 1977 for the purpose of providing non-profit housing for citizens.

The accounting policies used in the segment disclosures are consistent with those followed in the preparation of the financial statements (Note 1).

26. CHANGE IN ACCOUNTING ESTIMATE

The City has changed its estimate on the useful life of transit buses from 18 to 12 years. The change in estimate is being applied prospectively to the current and future periods. An adjustment has been made in the current year to reflect the appropriate remaining life of the assets. The current year adjustment revises the tangible capital asset value of the buses on the Consolidated Statement of Financial Position and Schedule 1 – Consolidated Schedule of Tangible Capital Assets by increasing the bus accumulated amortization by $35,605. The impact is recognized in the Consolidated Statement of Operations and Accumulated Surplus as an increase in amortization expense of the same amount.

27. COMPARATIVE INFORMATION

Certain of the comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.

STATISTICAL REVIEW

STATISTICAL REVIEW FOR THE YEARS 2010 TO 2014
GENERAL MUNICIPAL DATA

Unaudited

	2014	2013	2012	2011	2010
Population (Note 1)	**877,926**	817,498	817,498	812,201	782,439
Population age distribution (%) (Note 1)					
0-4	**6.13**	6.15	6.15	5.77	5.77
5-19	**16.74**	16.95	16.95	17.52	17.52
20-29	**16.18**	17.08	17.08	17.81	17.81
30-39	**15.94**	15.46	15.46	14.95	14.95
40-49	**13.45**	14.08	14.08	14.95	14.95
50-59	**13.82**	13.83	13.83	13.27	13.27
60-64	**5.29**	4.91	4.91	4.44	4.44
65+	**12.45**	11.54	11.54	11.29	11.29
Area – in hectares	**69,980**	69,980	69,980	69,980	69,980
– in square kilometers (rounded)	**700**	700	700	700	700
Value of building permits ($000)	**$ 4,624,608**	$ 3,966,199	$ 3,419,353	$ 2,820,745	$ 2,726,282
Number of housing starts (per Canada Mortgage and Housing Corporation)	**9,768**	10,634	9,488	6,135	6,110
Household median total income (Note 2) (per Statistics Canada) ($)					
Edmonton region	**$ 96,030**	$ 96,030	$ 96,030	$ 91,860	$ 87,930
Alberta	**$ 94,460**	$ 94,460	$ 94,460	$ 89,830	$ 85,380
Canada	**$ 74,540**	$ 74,540	$ 74,540	$ 72,240	$ 69,860
Consumer price index – 2002 base year (per Statistics Canada)					
Edmonton	**131.8**	129.0	127.4	126.0	122.9
Alberta	**132.2**	128.9	127.1	125.7	122.7
Canada	**125.2**	122.8	121.7	119.9	116.5
Unemployment rate (%) – annual average (per Statistics Canada)					
Edmonton region	**5.2**	4.9	4.7	5.4	6.7
Alberta	**4.7**	4.6	4.7	5.5	6.5
Canada	**6.9**	7.1	7.3	7.4	8.0
City of Edmonton employees (Note 3)	**14,352**	13,824	13,420	13,030	12,571

Notes:

1. The population figures are as per the 2009, 2012 and 2014 City Census and the 2011 Canada Census. The population age distribution for 2010 through 2011 reflects the 2009 City Census information. The population age distribution for 2012 and 2013 reflects the 2012 City Census information. The population age distribution for 2014 reflects the 2014 City Census information.
2. Updated figures for 2013 and 2014 household median total income are not yet available. The amounts shown continue to reflect the 2012 data.
3. Positions are stated in full time equivalents, as budgeted and exclude EPCOR.

STATISTICAL REVIEW FOR THE YEARS 2010 TO 2014
ASSESSMENT AND TAX LEVY

Unaudited (in thousands of dollars, except per capita)

	2014	2013	2012	2011	2010
Assessment:					
Total taxable assessment	$ 149,252,793	$140,044,430	$131,963,278	$ 130,942,608	$121,312,731
Percentage of total assessment represented by:					
Residential properties	73.9	74.6	75.6	75.3	73.7
Commercial properties	26.1	25.4	24.4	24.7	26.3
Taxable assessment per capita	$ 170,006	$ 171,309	$ 161,423	$ 161,219	$ 155,044
Assessment for principal taxpayers (%) (Note 1)	4.7	4.6	4.1	4.2	4.7
Rates of taxation (mills):					
Single family residences	8.01	7.82	7.68	7.12	7.35
Other residential property	8.84	8.61	8.43	7.82	8.06
Commercial and industrial	18.00	18.22	18.88	17.37	15.56
Property tax levy, collections, and arrears:					
Arrears at January 1 (net)	$ 49,487	$ 43,973	$ 40,998	$ 46,199	$ 36,716
Tax Levy	1,603,346	1,479,341	1,390,327	1,277,865	1,164,619
Appeals and adjustments	(6,750)	(11,479)	(13,708)	(12,778)	(3,268)
Collections:					
Regular	$ (1,568,194)	$ (1,442,135)	$ (1,358,508)	$ (1,249,635)	$ (1,135,708)
Community Revitalization Levy	(2,071)	(783)	(487)		
Arrears	(40,758)	(30,898)	(25,113)	(29,321)	(24,141)
Penalties on prior year arrears	11,421	11,467	10,464	8,668	7,981
Arrears at December 31 (net)	$ 46,481	$ 49,487	$ 43,973	$ 40,998	$ 46,199
Percentage of current property taxes collected	98.4	98.3	98.7	98.8	97.8
Percentage of net property tax arrears collected	82.4	70.3	61.3	63.5	65.8
Property tax arrears per capita (gross)	$ 54.09	$ 64.50	$ 60.18	$ 56.25	$ 60.07
Property tax arrears per capita (net)	52.94	60.53	53.79	50.48	59.04
Property tax levy per capita	1,826.29	1,809.60	1,700.71	1,573.34	1,488.45
Business tax levy (Note 2)					$ 33,088
Business revitalization zone tax levy	$ 3,406	$ 3,115	$ 3,005	$ 2,740	$ 2,726
Education requisitions	$ 406,400	$ 399,047	$ 390,227	$ 352,300	$ 334,922

Source: City of Edmonton Financial Services and Utilities

Notes:
1. Includes the ten highest taxpayers by assessment value.
2. 2010 was the final year the City levied business taxes.

STATISTICAL REVIEW FOR THE YEARS 2010 TO 2014
INVESTMENT FUNDS

Unaudited (in thousands of dollars)

	2014	2013	2012	2011	2010
Investment funds					
The Balanced Fund					
Net assets – market value	$ 592,482	$ 535,846	$ 494,255	$ 464,594	$ 519,648
Net assets – cost	575,361	530,235	499,086	478,786	500,628
Net earnings	44,849	30,910	20,123	53,150	37,265
Fund rate (%)	8.5	6.2	4.2	10.6	6.9
Market (%)	10.9	8.7	6.7	4.6	9.0
Ed Tel Endowment Fund					
Net assets – market value	$ 766,277	$ 708,839	$ 617,935	$ 590,566	$ 626,626
Net assets – cost	745,839	683,798	648,507	652,398	591,113
Net earnings	86,754	56,752	23,821	87,084	44,879
Fund rate (%)	11.6	8.3	3.7	13.3	7.6
Market (%)	12.1	18.8	9.9	(1.2)	10.9
The Sinking Fund					
Net assets – market value	$ 76,511	$ 69,498	$ 162,682	$ 249,351	$ 299,750
Net assets – cost	73,704	67,996	158,636	240,111	292,977
Net earnings:					
Required	3,356	4,102	7,843	12,519	16,917
(Deficiency) excess	(672)	(791)	1,609	(1,726)	(238)
Total	$ 2,684	$ 3,311	$ 9,452	$ 10,793	$ 16,679
Fund rate (%)	3.6	4.9	6.0	4.5	5.7
Market (%)	6.2	0.4	2.9	5.8	4.3

Source: City of Edmonton Financial Services and Utilities

Note:

1. This schedule summarizes significant investment funds maintained by the City of Edmonton.
   a) Net earnings (losses) are realized earnings (losses) of the fund as calculated in accordance with Canadian public sector accounting standards.
   b) Fund rate is the rate expressed as the net earnings (losses) for the year over the weighted average of total assets employed.
   c) Market return is based on the time-weighted method, in accordance with industry standards.

STATISTICAL REVIEW FOR THE YEARS 2010 TO 2014
LONG-TERM DEBT

Unaudited (in thousands of dollars, except per capita)

	2014	2013	2012	2011	2010
Debenture borrowing					
Self-liquidating	$ 85,983	$ 86,281	$ 95,686	$ 90,037	$ 80,992
Tax-supported	424,365	204,683	248,606	119,832	315,799
	$ 510,348	$ 290,964	$ 344,292	$ 209,869	$ 396,791
Debt limit per regulation	$ 5,154,292	$ 4,620,040	$ 4,180,392	$ 4,079,024	$ 3,679,534
Total debt limit used	2,823,109	2,426,187	2,232,921	1,973,819	1,840,233
Percentage used (%)	54.77	52.51	53.41	48.39	50.01
Debt service limit per regulation	902,001	808,507	731,569	713,829	643,918
Total debt service limit used	379,428	255,778	223,516	188,104	172,625
Percentage used (%)	42.07	31.64	30.55	26.35	26.81
General government debt service (Note 1)	150,248	126,100	113,452	105,720	90,959
General government debt service as a percentage of general government operating expenses (Note 1)	6.8	6.1	6.0	5.7	5.3
Long-term debt (gross)					
Self-liquidating	$ 1,047,876	$ 1,014,118	$ 1,076,208	$ 1,123,798	$ 1,149,471
Tax-supported	1,968,059	1,612,611	1,465,111	1,265,870	1,189,758
Long-term debt (net of EPCOR and Sinking Fund)					
Self-liquidating	$ 855,050	$ 813,576	$ 767,810	$ 707,949	$ 650,475
Tax-supported	1,968,059	1,612,611	1,465,111	1,265,870	1,189,758
Net debt per capita					
Self-liquidating	$ 974	$ 995	$ 939	$ 872	$ 831
Tax-supported	2,242	1,973	1,792	1,559	1,521
	$ 3,216	$ 2,968	$ 2,731	$ 2,431	$ 2,352
Percentage of net debt to be retired					
Within 5 years	27.4	28.7	28.5	25.9	25.0
Within 10 years	51.6	53.1	52.5	50.4	49.1

Source: City of Edmonton Financial Services and Utilities

Note:
1. Debt service includes principal and interest.

STATISTICAL REVIEW FOR THE YEARS 2010 TO 2014
CONSOLIDATED EXPENSES

Unaudited (in thousands of dollars)

Operating Expenses by Function

	2014	2013	2012	2011	2010
Transportation services	$ 786,116	$ 754,412	$ 695,084	$ 689,946	$ 624,577
Protective services	582,322	556,435	528,007	500,887	475,772
Community services	479,448	426,116	407,314	378,287	337,774
Utility and enterprise services	407,798	361,419	313,525	312,865	289,484
Corporate administration, general municipal and other	356,697	332,797	295,560	296,362	288,764
	$ 2,612,381	$ 2,431,179	$ 2,239,490	$ 2,178,347	$ 2,016,371

Operating Expenses by Object

	2014	2013	2012	2011	2010
Salaries, wages and benefits	$ 1,370,715	$ 1,304,478	$ 1,219,733	$ 1,149,747	$ 1,079,964
Materials, goods and utilities	295,168	303,683	259,147	273,126	226,324
Contracted and general services	270,233	233,818	193,758	214,413	209,861
Interest and bank charges	112,550	99,780	93,960	90,316	81,748
Grants and other	72,099	76,074	87,284	76,967	80,002
Amortization of tangible capital assets	479,470	405,347	381,628	359,254	328,943
Loss on disposal/replacement of tangible capital assets	12,146	7,999	3,980	14,524	9,529
	$ 2,612,381	$ 2,431,179	$ 2,239,490	$ 2,178,347	$ 2,016,371

Source: City of Edmonton Financial Services and Utilities

STATISTICAL REVIEW FOR THE YEARS 2010 TO 2014
CONSOLIDATED REVENUE AND CAPITAL FINANCING

Unaudited (in thousands of dollars)

Revenues	**2014**	2013	2012	2011	2010
Net taxes available for municipal purposes (Note 1)	**$ 1,237,696**	$ 1,115,909	$ 1,032,253	$ 963,311	$ 897,048
User fees and sale of goods and services	**674,965**	632,377	595,632	544,501	495,883
Subsidiary operations – EPCOR	**190,849**	175,499	18,083	143,656	132,955
Investment earnings	**150,363**	104,294	62,399	157,950	98,129
Franchise Fees	**133,654**	127,327	117,406	114,805	103,266
Government transfers – operating	**117,491**	119,381	110,758	113,148	118,618
Fines and penalties	**83,660**	78,449	55,643	48,610	51,820
Licenses and permits	**79,340**	68,748	64,452	50,737	40,777
Developer and customer contributions – operating	**14,422**	2,432	3,444	656	149
Revenues before capital	**2,682,440**	2,424,416	2,060,070	2,137,374	1,938,645
Government transfers – capital	**224,599**	380,960	485,713	487,155	389,776
Contributed tangible capital assets	**177,478**	219,599	202,493	121,608	139,281
Developer and customer contributions – capital	**63,153**	52,466	39,894	45,794	34,077
Local Improvements (Note 1)	**22,402**	8,637	8,315		
	$ 3,170,072	$ 3,086,078	$ 2,796,485	$ 2,791,931	$ 2,501,779

Capital Additions by Financing Source	**2014**	2013	2012	2011	2010
Capital Additions	**$ 1,131,266**	$ 1,235,710	$ 1,209,210	$ 1,177,337	$ 1,151,622
Financing Sources Applied:					
Pay-As-You-Go	**222,086**	151,345	147,348	131,965	97,509
Debenture borrowing	**387,039**	277,601	273,285	230,168	276,038
Government transfers – Provincial	**224,221**	345,841	425,431	452,883	356,660
Government transfers – Federal	**378**	35,119	60,282	34,272	33,116
Developer/partnership	**242,814**	282,119	252,799	159,552	170,977
Reserves/user fees/other	**54,728**	143,685	50,065	168,497	217,322
	$ 1,131,266	$ 1,235,710	$ 1,209,210	$ 1,177,337	$ 1,151,622

Source: City of Edmonton Financial Services and Utilities

Note:
1. Beginning in 2013, with retroactive application to 2012, the property owners' share of the local improvement is recognized as revenue at the completion of the construction of the local improvement. For 2012 and forward, local improvement revenue is disclosed separately in capital revenue. Local improvement revenue for 2011 and prior years has not been restated, with amounts included in net taxes for municipal purposes.

STATISTICAL REVIEW FOR THE YEARS 2010 TO 2014
FINANCIAL POSITION, ANNUAL SURPLUS AND RESERVES

Unaudited (in thousands of dollars)

Financial Position and Annual Surplus Changes to Accumulated Surplus	**2014**	2013	2012	2011	2010
Financial assets (Note 1)	**$ 4,989,099**	$ 4,508,856	$ 4,350,345	$ 4,249,311	$ 4,382,260
Liabilities	**3,937,817**	3,407,276	3,096,229	2,799,012	2,641,128
Net financial assets	**1,051,282**	1,101,580	1,254,116	1,450,299	1,741,132
Non-financial assets	**11,694,117**	11,057,813	10,255,337	9,425,266	8,640,012
Accumulated surplus – ending	**$ 12,745,399**	$ 12,159,393	$ 11,509,453	$ 10,875,565	$ 10,381,144
Annual excess of revenues over expenses	**$ 557,691**	$ 654,899	$ 556,995	$ 613,584	$ 485,408
Other changes to Accumulated Surplus	**$ 28,315**	$ (4,959)	$ 4,618	$ (119,163)	$ (2,102)

Reserves	**2014**	2013	2012	2011	2010
General Government:					
Local improvement (Note 1)	**$ 97,386**	$ 82,101	$ 77,988	$	$
Financial Stabilization	**94,772**	106,577	93,614	91,138	95,267
Current planning	**25,394**	25,058	25,685	16,448	6,314
Financial Stabilization – appropriated	**23,222**	18,971	33,009	43,931	31,614
Affordable housing	**21,750**	14,628	10,065	11,795	14,744
LRT	**20,299**	17,407	18,334	14,181	10,035
Parkland	**18,891**	11,604	11,746	8,833	12,070
Traffic safety & automated enforcement	**18,565**				
Funds in Lieu – residential	**16,414**	10,645	10,399	20,125	11,420
Enterprise portfolio / Commonwealth Stadium	**10,821**	6,691	6,137	4,385	5,593
Natural areas	**9,280**	8,631	7,870	7,166	6,124
Tax-supported debt	**6,727**	6,818	6,199	1,628	1,691
Perpetual care	**5,704**	6,290	5,243	5,067	4,775
Tree management	**3,413**	3,122	2,169	1,914	920
Heritage resources	**3,226**	3,544	3,179	2,920	2,722
Self insurance - vehicles	**2,500**	2,500	2,500	2,500	2,500
Development incentive	**1,716**	2,035	1,466	1,814	1,942
Façade & storefront improvements	**1,701**	1,712	1,668	1,498	859
Other	**1,216**	2,328	1,937	2,094	1,818
Neighbourhood renewal	**803**	402			2,586
Northlands – capital			1,146	1,090	1,078
Industrial Servicing Fund	**(763)**	(280)	(3,726)		
Community revitalization levy – Downtown	**(3,603)**				
Community revitalization levy – Belvedere	**(5,396)**	(3,806)	(2,993)		
Interim financing	**(6,688)**				
Community revitalization levy – Quarters	**(8,961)**	(5,384)	(1,453)		
	358,389	321,594	312,182	238,527	214,072
Fleet Services – vehicle replacement	**24,937**	16,036	15,314	10,986	953
Edmonton Public Library Board	**1,712**	1,247	3,001	1,215	332
Edmonton Economic Development Corporation	**1,414**	1,529	1,946	1,966	1,879
Fort Edmonton Management Company	**1,355**	405			
Non-Profit Housing Corporation	**1,305**	1,099	1,002	1,017	1,259
	$ 389,112	$ 341,910	$ 333,445	$ 253,711	$ 218,495

Source: City of Edmonton Financial Services and Utilities

Note:

1. Beginning in 2013, with retrospective application to 2012, local improvement revenue is recognized at completion of construction of the local improvement. Local improvement receivables and reserve balances have been adjusted for 2012. Information for 2011 and prior has not been restated.

RELATED BOARDS AND AUTHORITIES

Further information regarding the Related Boards and Authorities can be obtained from the following sources:

Edmonton Economic Development Corporation

3rd Floor, World Trade Centre Edmonton
9990 Jasper Avenue NW
Edmonton, Alberta T5J 1P7

Phone: 780-424-9191
Fax: 780-917-7668

E-mail: info@edmonton.com
Web: www.eedc.ca

Chair: Barry Travers
President and CEO: Brad Ferguson

Edmonton Police Commission

Suite 1803 Scotia Place, Tower 2
10060 Jasper Avenue NW
Edmonton, Alberta T5J 3R8

Phone: 780-414-7510
Fax: 780-414-7511

E-mail: commission@edmontonpolice.ca
Web: www.edmontonpolicecommission.com

Chair: Shami Sandhu
Chief of Police: Rod Knecht

The City of Edmonton Non-Profit Housing Corporation

12520 Fort Road NW
Edmonton, Alberta T5B 4H8

Phone: 780-474-5706
Fax: 780-474-8175

E-mail: info@myhomeed.ca
Web: www.myhomeed.ca

Chair: Ann Henry
Executive Director: Bill Bell

EPCOR Utilities Inc. (EPCOR)

2000, 10423 101 Street NW
Edmonton, Alberta T5H 0E8

Phone: 780-412-3414
Fax: 780-412-3192

E-mail: corpafrs@epcor.com
Web: www.epcor.com

Chair: Hugh Bolton
President and CEO: David Stevens

The Edmonton Public Library

7 Sir Winston Churchill Square NW
Edmonton, Alberta T5J 2V4

Phone: 780-496-7000
Fax: 780-496-7097

Web: www.epl.ca

Chair: Ellen Calabrese-Amrhein
CEO: Linda Cook

Waste RE-solutions Edmonton

9803-102A Avenue NW
Century Place, 2nd Floor
Edmonton, Alberta T5J 3A3

Phone: 780-496-5363
Fax: 780-442-6595

E-mail: wasteresolutions@edmonton.ca
Web: www.waste-resolutions.com

Chair: Robert Seidel
President: Gary Klassen

Fort Edmonton Management Company

Fort Edmonton Park
7000-143 Street NW
P.O. Box 2359
Edmonton, Alberta T5J 2R7

Phone: 780-496-7381
Fax: 780-496-8797

E-mail: info@fortedmontonpark.ca
Web: www.fortedmontonpark.ca

Chair: Douglas Goss
Executive Director: Bill Demchuk

For more information about
the City of Edmonton, visit

www.edmonton.ca
or call **311**

If you have inquiries about the
2014 Annual Report, direct them

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